

# The Woodlands Township

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## **Property Tax and Homestead Exemption Analysis**

**April 2017**

# The Woodlands Township

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- An item regarding a residence homestead exemption will be included on the Township's April 26<sup>th</sup> meeting agenda.
- The considerations are numerous and the financial impacts to the Township are significant and long-term if approved.
- Accordingly, comprehensive information has been prepared analyzing the potential effects of a homestead exemption. In addition, an overview of property taxation focusing on the past five years is presented for the Township.

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# **EXECUTIVE SUMMARY**

## Executive Summary

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- The Woodlands Township Board of Directors is committed to providing high-quality, cost-effective services and amenities desired by the taxpayers at the lowest possible property tax levy while maintaining a balanced budget and preserving the community's excellent financial position.

# Executive Summary

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- **The Board's decisions on balancing the various components of the budget** including (1) property taxes, (2) other sources of revenue, (3) services and amenities desired by the residents, (4) debt obligations, and (5) reserve allocations **have had favorable results for the taxpayers and The Woodlands community:**
  - Significant tax relief has been provided to taxpayers in the form of lower tax rates, resulting in \$53.7 million less taxes paid since 2012 than if the rates had not been lowered.
  - The Township's property tax rate has been lowered by 29.2% over the past five years, from 32.5 cents to 23.0 cents. This reduction far exceeds rate reductions by other local taxing entities such as Montgomery County (3.53%) and Conroe ISD (1.2%). A partial list of local taxing entities and their property tax rates over the past five years can be found on page 23.
  - Property tax revenue per capita has decreased from \$393 in 2011 to \$383 in 2017.
  - While the owner of an average valued home has experienced a 31.5% increase in Conroe ISD property taxes and a 27.8% increase in Montgomery County taxes since 2013, his or her Township property tax bill has *decreased* by 4.0%. (see page 26)
  - Conservative increases in expenditures have been in response to residents' requests for enhanced services and amenities, to preserve the natural environment, to address matters related to the aging of the community, and to keep up with rapid growth in the Township.

# Executive Summary

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- Outstanding debt per capita has declined from \$1,137 to \$675 over the past five years, representing a decrease of 41%. Refinancing and early retirement of debt has saved taxpayers approximately \$6 million in interest expense.
- The Township enjoys excellent credit ratings from Moody's and Standard and Poor's due to its prudent management of the Township's financial resources.
- The establishment and maintenance of a capital replacement reserve prevents the need to finance the replacement of capital assets.
- The establishment of an incorporation reserve allows the Township to plan for its future; if incorporation does not materialize, the funds can be redirected by the Board for other purposes such as paying off debt.
- The Board's budget priorities align closely with the needs and wants of the residents as evidenced by the recent community survey wherein services were rated highly and 89% of respondents were satisfied with the value of services for the taxes paid.
- The Township is in excellent financial condition and is well positioned to respond to future challenges and opportunities as they arise.

# Executive Summary

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- While a residential homestead exemption is one option for providing property tax relief, its effect should be weighed against other options such as lowering the property tax rate.
- Analysis shows that the Township Board's focus on lowering the tax rates over fiscal years 2014 – 2017 was more beneficial to taxpayers than granting a 5%, 10% or 20% homestead exemption would have been.
- The Board's goals regarding property tax relief should be clearly defined before proceeding with a homestead exemption.
  - A homestead exemption benefits only residential property owners. Commercial, industrial and rental properties are not eligible. This has the effect of shifting some of the tax burden from one class of taxpayers to others.
  - In contrast, the Township's approach to managing the property tax burden by decreasing the tax rate benefits all property owners who are participating in the local economy.
- The Township provides a higher level of services and amenities than most communities. Careful consideration of the services and amenities desired by taxpayers should be taken into account when making decisions that impact the revenue sources needed to fund them.



# Executive Summary

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- Board decisions regarding property taxation (such as the tax rate or exemptions) have historically been made in tandem with all other budget factors during the annual budget process.
- Making important financial decisions within this framework allows the Board to develop a comprehensive financial plan that addresses the community's short-term and long-term objectives and continues to maintain the Township's excellent financial position.
- Although decisions regarding property taxation are a central component of the Township's budget process, the Board must make *equally important decisions* on other budget factors such as alternate revenue sources, types and levels of services, community amenities, debt management, and reserve allocations.
- These sources and uses of funds must all be prioritized and allocated in a manner that produces a balanced budget which aligns with the needs and wants of the taxpayers.
- Information from the Community Survey completed in January 2017 indicates a strong positive correlation between the Board's budget decisions, the services and amenities desired by the residents, and the value of services for the taxes paid.

# Executive Summary

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- In order for the Township to maintain a balanced budget, the loss in tax revenue resulting from a homestead exemption would need to be offset by a similar amount elsewhere in the budget.
- Based on the adopted 2017 budget, the following budget adjustments would be necessary:
  - ✓ 5% homestead exemption = \$1.8 million annually (\$9.0 million in five-year plan)
  - ✓ 10 % homestead exemption = \$3.6 million annually (\$18.0 million in five-year plan)
  - ✓ 15% homestead exemption = \$5.4 million annually (\$27.0 million in five-year plan)
  - ✓ 20% homestead exemption = \$7.2 million annually (\$36.0 million in five-year plan)

# Executive Summary

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- To offset the financial impact of a homestead exemption, one or more of the following budget adjustments would be necessary to maintain a balanced budget.
  - Decrease operating and/or capital expenditures, which will impact the current level of services and amenities being provided.
  - Decrease allocations to reserves, which will impact funding available for the projects or purposes aligned with the designated reserves (capital asset replacements, economic development, incorporation).
  - Increase projections for sales and use tax revenue. However, balancing the budget by assuming a higher level of sales and use tax may not be prudent at this time based on the recent flat-to-downward trend of this volatile revenue source, particularly in retail sales which comprises over 50% of sales and use tax revenue.
  - Increasing other revenue sources such as hotel tax, grant funds, program fees or contract revenue is not a viable option as these revenues are used to fund principal and interest payments on outstanding debt or the costs of specific services or programs rather than general expenses.

# Executive Summary

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## **Other homestead exemption considerations:**

- The Texas legislature is considering potentially major changes to property taxation that may have an impact on the Township's budget and tax rate *in addition to* the impact of a homestead exemption.
- Matters relating to the timing and costs of potential incorporation of the Township will likely have an impact on the Township's budget and finances.

# Executive Summary

The Board of Directors has an important responsibility to prioritize budget objectives and allocate the resources necessary to achieve them. In that context, decisions regarding a homestead exemption must be weighed against decisions on a variety of other financial matters.

## Homestead Exemption

### OTHER CONSIDERATIONS

Ability to reduce tax rate further

Decrease in services and/or amenities

Funding of incorporation and other reserves

Shift of tax burden to businesses

Volatile sales tax and hotel tax revenues

Possible impact on credit rating

Unknown financial impacts of legislation

# Next Steps

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Any action regarding changes in the percentage homestead exemption must be taken by the governing body before July 1, 2017 per the Texas Property Tax Code.

# Next Steps

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- Options for taking action on the homestead exemption:
  - Take action at an April, May or June Board meeting in order to meet the July 1, 2017 deadline for the homestead exemption to go into effect for the 2018 fiscal year.
  - Consider a homestead exemption during the established budget process cycle, which takes place August – September 2017. This option allows the Board to fully analyze the significant financial impacts of the exemption on the short-term and long-term strategic goals of the Township and to prioritize the exemption along with all of the other important components of the 2018 budget and five-year plan. Additionally, any financial impacts from property tax-related legislation would be known at this time. The earliest date a homestead exemption would become effective under this scenario is the 2019 fiscal year.

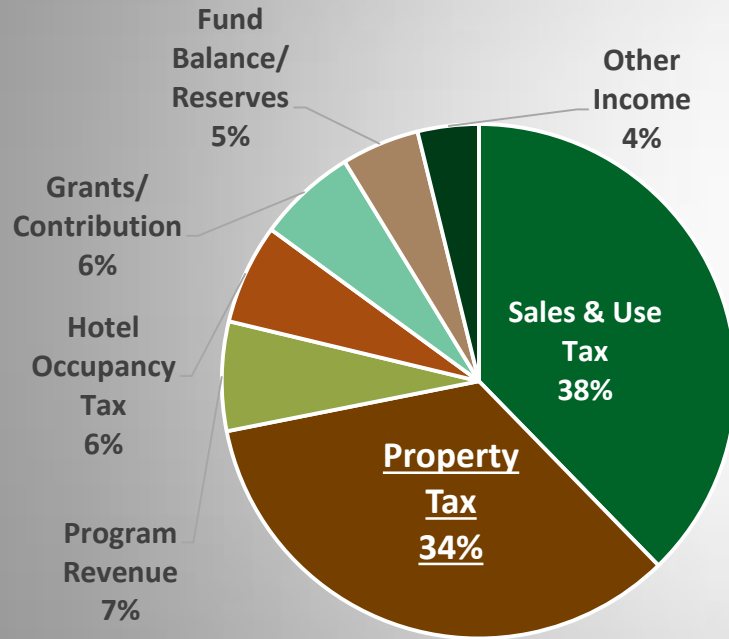
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# **PROPERTY TAXATION**



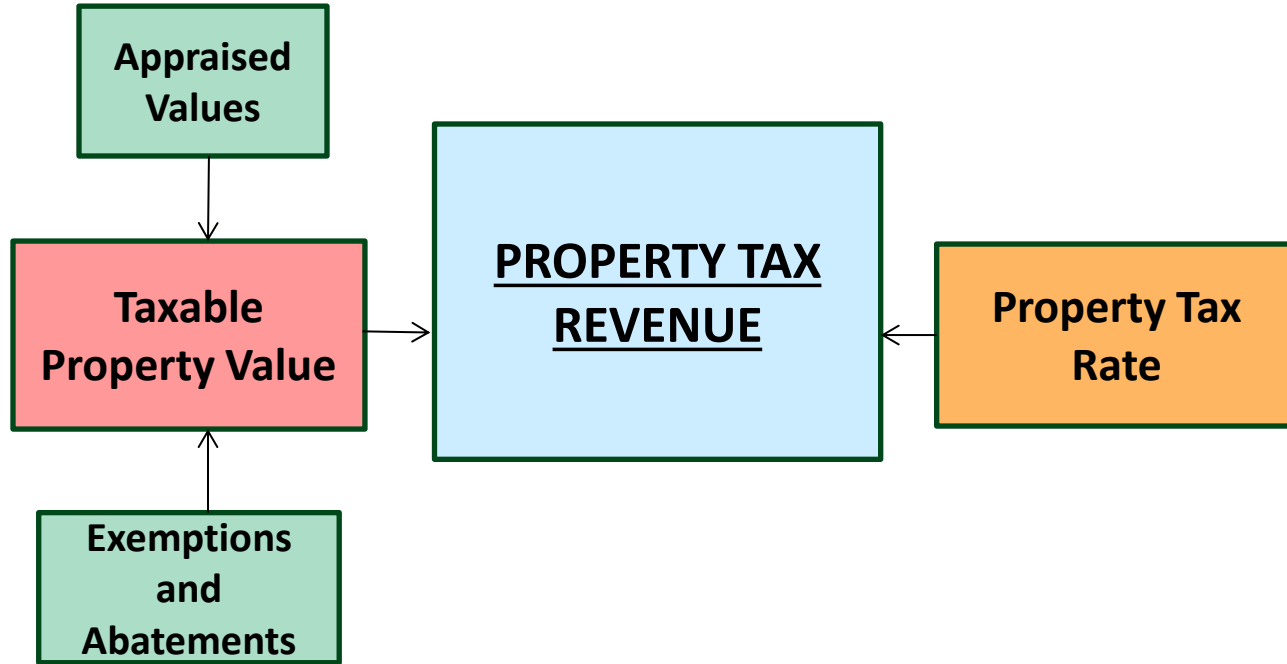
# Property Tax

- Property tax comprises approximately 1/3 of the Township's total revenue sources.



Sources of Funds	Amount
Sales & Use Tax	\$49,207,109
Property Tax	44,593,740
Program Revenue	8,961,000
Hotel Tax	8,200,026
Grants	8,131,028
Reserve/Fund Balance	6,388,214
Other Income	5,013,182
Total	\$130,494,299

# Property Tax Components



# Property Tax

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- Property tax revenue is impacted by:
  - Appraised property values (determined by appraisal districts)
  - Exemptions (determined by statute or the taxing entity)
  - ❖ Property tax rate (determined by the taxing entity)
- ❖ **The following slides illustrate how The Township has successfully focused on the tax rate component of property taxation in order to lower tax payments for residential and commercial property owners.**

# Property Tax

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- As taxable property values rose during fiscal years 2012 – 2017 from \$12.6 billion to \$19.5 billion, **the Township lowered its tax rate from 32.5 cents to 23.0 cents, a reduction of 9.5 cents, or 29.2%.**

# The Woodlands Township

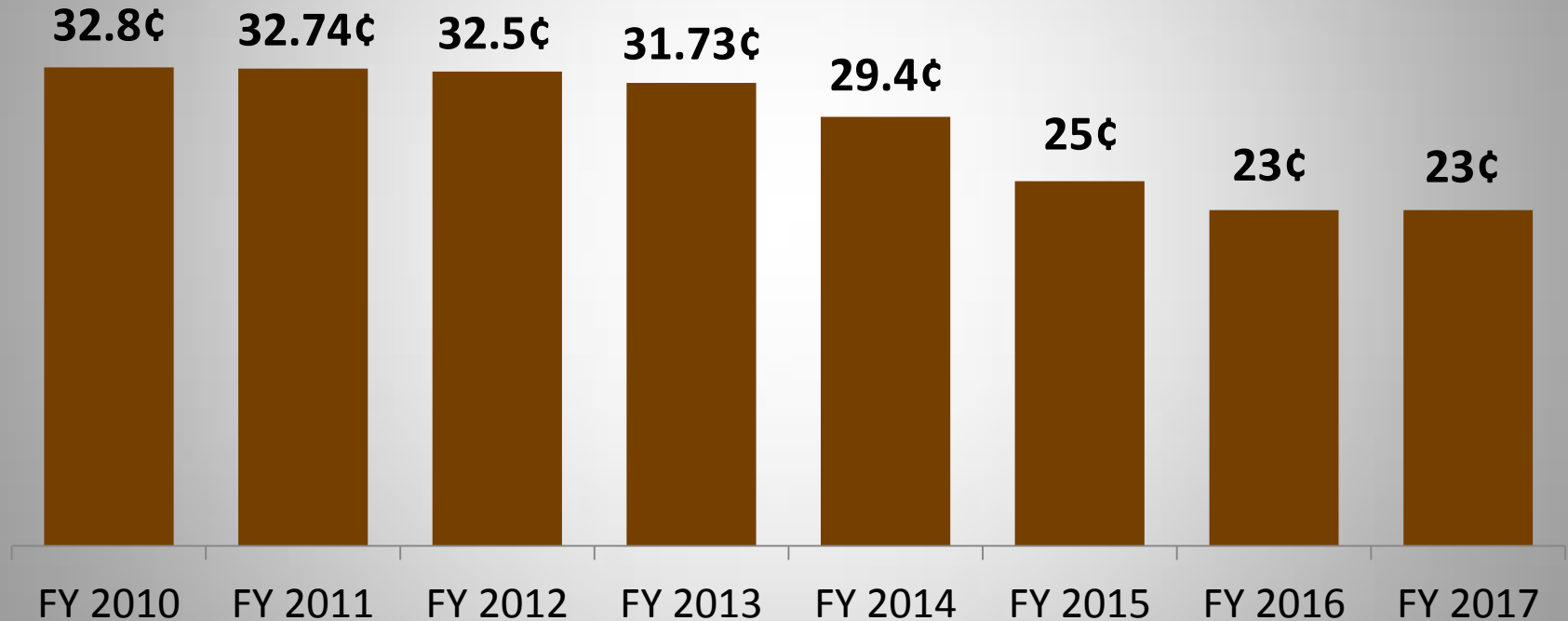
## Taxable Property Values FY 2012 - 2017



	2013	2014	2015	2016	2017	Cumulative
Increase - revaluation	4.2%	7.5%	8.0%	8.8%	4.9%	33.4%
Increase - new property	1.3%	1.5%	4.4%	4.1%	1.0%	12.3%

# The Woodlands Township Property Tax Rates

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# Comparison of Property Tax Rates

	FY 2013	FY2014	FY2015	FY2016	FY2017	Rate Reduction since 2013	% Rate Reduction since 2013
The Woodlands Township	0.3173	0.2940	0.2500	0.2300	0.2300	(0.0873)	(27.51%)
Shenandoah	0.3137	0.2664	0.2404	0.2399	0.2295	(0.0842)	(26.84%)
Oak Ridge North	0.5744	0.5244	0.4822	0.4598	0.4509	(0.1235)	(21.50%)
Lone Star College	0.1198	0.1160	0.1081	0.1079	0.1078	(0.0120)	(10.02%)
MCHD	0.0729	0.0727	0.0725	0.0710	0.0665	(0.0064)	(8.78%)
Houston	0.63875	0.63875	0.63108	0.60112	0.58642	(0.05233)	(8.19%)
Montgomery County	0.4838	0.4838	0.4767	0.4767	0.4667	(0.0171)	(3.53%)
Magnolia	0.4786	0.4786	0.4629	0.4629	0.4629	(0.1570)	(3.28%)
Tomball ISD	1.3600	1.3600	1.3600	1.3400	1.3400	(0.0200)	(1.47%)
Magnolia ISD	1.3995	1.3995	1.3895	1.3795	1.3795	(0.0200)	(1.43%)
Conroe ISD	1.2900	1.2850	1.2800	1.2800	1.2800	(0.0100)	(0.78%)
Conroe	0.4200	0.4200	0.4200	0.4200	0.4175	(0.0025)	(0.60%)

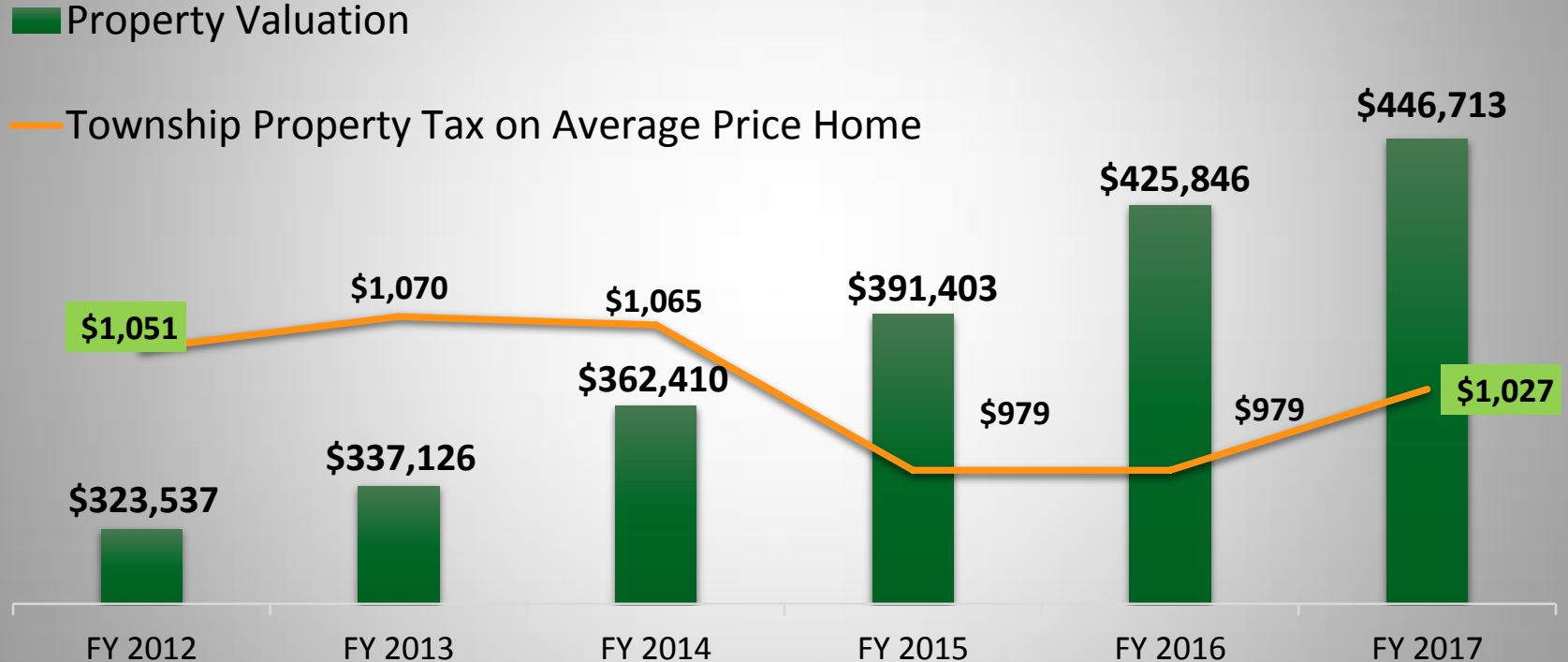
# What does this mean for Township taxpayers?

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- Lower tax rates have resulted in \$53.7 million less taxes paid by property owners over the last five years than if the tax rate had been maintained at the 2012 rate of 32.5 cents.
- While an average priced home in the Township has increased 38% in taxable value since 2012, the Board of Directors has lowered the tax rate so that this homeowner is paying less in Township property tax than five years ago. (see chart on following page)



# Taxable Property Value and Township Property Tax on an Average Price Home in The Woodlands Township



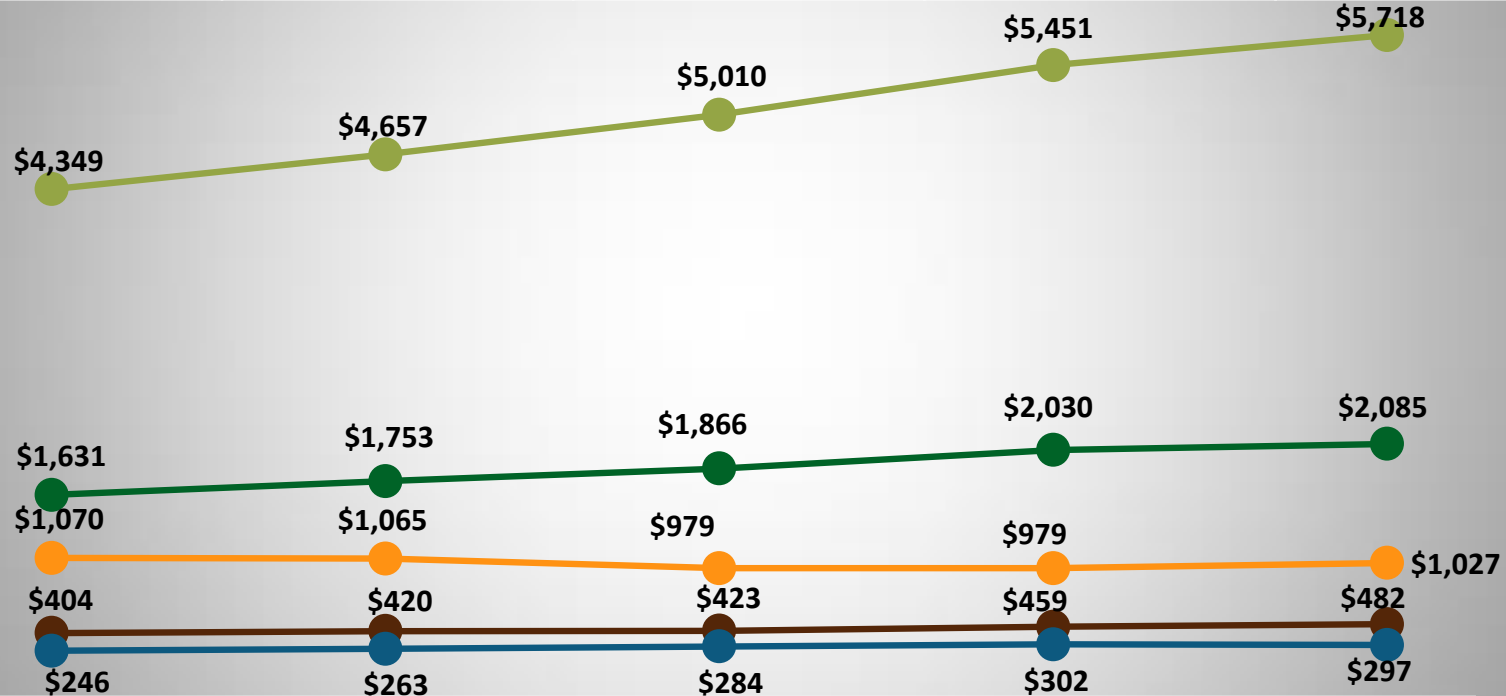
# Property Tax

- Although most taxpayers have experienced lower tax bills from the Township, they have seen their total property tax bills increase due to the tax impacts of other taxing entities.

Taxing Entity	% of Property Tax Increase/(Decrease) on Average Value Home in The Township (2013-2017)
Conroe ISD	31.5%
Montgomery County	27.8%
Montgomery Co. Hospital District	20.7%
Lone Star College District	19.3%
The Woodlands Township	(4.0%)

# Property Tax by Taxing Entity on Average Price Home in The Woodlands Township

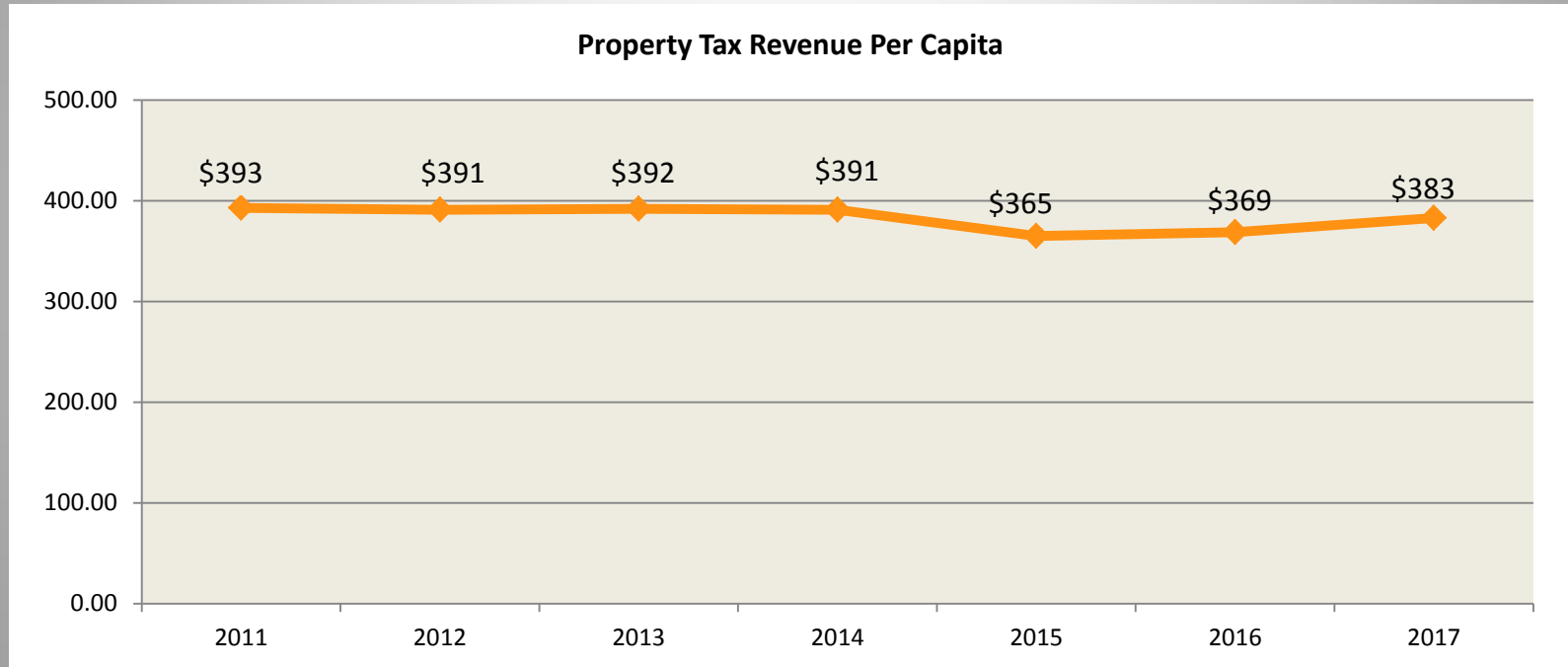
FY 2013 Total Tax	FY 2014 Total Tax	FY 2015 Total Tax	FY 2016 Total Tax	FY 2017 Total Tax
<b>\$7,699</b>	<b>\$8,160</b>	<b>\$8,561</b>	<b>\$9,222</b>	<b>\$9,609</b>



● Conroe ISD 
 ● Montgomery County 
 ● Township 
 ● Lone Star College 
 ● Hospital District

# Property Tax

- The Township's property tax revenue per capita has decreased from \$393 to \$383 over the past six years.



# Property Tax Rate Reduction vs Homestead Exemption

- While a residential homestead exemption is one option for providing property tax relief, its effect should be weighed against other options such as lowering the property tax rate.
- Analysis shows that the Board's focus on lowering the tax rates over fiscal years 2014 – 2017 was more beneficial to taxpayers than granting a homestead exemption would have been.

## Property Tax Paid on Average Price Home

	FY2014	FY2015	FY2016	FY2017	Total
Actual Property Tax	\$1,065	\$979	\$979	\$1,027	<b>\$4,050</b>
Tax with 5% Homestead*	\$1,092	\$1,180	\$1,284	\$1,347	\$4,903
Tax with 10% Homestead*	\$1,035	\$1,118	\$1,216	\$1,276	\$4,645
Tax with 20% Homestead*	\$920	\$994	\$1,081	\$1,134	\$4,129

\* Assumes FY2013 tax rate of 31.73 cents is maintained

# Property Tax Rate Reduction vs Homestead Exemption

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- The Board's goals regarding property tax relief should be clearly defined before proceeding with a homestead exemption.
  - While a homestead exemption would benefit most residential property owners, the owners of commercial, industrial and rental properties would not qualify for the exemption and therefore would not receive a similar benefit.
  - Homestead exemptions have the effect of shifting some of the tax burden from residential properties to rental, commercial and industrial properties.
  - In contrast, the Township's approach to managing the property tax burden by decreasing the tax rate benefits all property owners who are participating in the local economy.

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# **RESIDENCE HOMESTEAD and OTHER EXEMPTIONS**

# Property Tax Exemptions

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- Although the Township has favored lower tax rates in lieu of property tax exemptions, state law provides that certain exemptions may be granted voluntarily by taxing entities.
  - Residence Homestead exemption in a percentage amount not to exceed 20%, with a minimum exemption amount of \$5,000.
  - Age 65 or Older or Disabled Persons exemption in a minimum amount of \$3,000.
  - Disabled Veterans exemption is determined according to percentage of service-connected disability.



# Property Tax Exemptions

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- Since 2011, the Township has granted an Age 65 or Older or Disabled Persons exemption of \$25,000.
- This exemption has resulted in \$2.4 million of property tax savings to qualifying taxpayers since it was implemented.
- For FY 2017, the exemption totaled \$392,645 based on \$170.7 million of exempt property value.
- Each additional \$10,000 granted for an Age 65 or Older or Disabled Persons exemption would result in an approximate \$159,200 decrease in annual revenue for the Township based on FY 2017 property values and tax rate.

# Homestead Exemption

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- The Township provides a higher level of services and amenities than most communities. Careful consideration of the services and amenities desired by taxpayers should be taken into account when making decisions that impact the revenue sources needed to fund them.
- In order for the Township to maintain a balanced budget, the loss in tax revenue resulting from a homestead exemption would need to be offset by a similar amount elsewhere in the budget.
- Based on the adopted 2017 budget, the following annual budget adjustments would be necessary:
  - ✓ 5% homestead exemption = \$1.8 million
  - ✓ 10% homestead exemption = \$3.6 million
  - ✓ 15% homestead exemption = \$5.4 million
  - ✓ 20% homestead exemption = \$7.2 million
- Please note that these figures represent the required annual adjustment and would need to be repeated each subsequent year since the impact of a homestead exemption is ongoing.

# Impact of Homestead Exemptions on Funding Budgets Adopted for years 2013 - 2017

	Budget Funding Shortfall with <u>5%</u> Homestead	% of General Fund Operating Budget	Budget Funding Shortfall with <u>10%</u> Homestead	% of General Fund Operating Budget	Budget Funding Shortfall with <u>20%</u> Homestead	% of General Fund Operating Budget
2013	(\$1.6 m)	2.2%	(\$3.3 m)	4.5%	(\$6.6 m)	9.0%
2014	(\$1.6 m)	1.9%	(\$3.3 m)	4.0%	(\$6.6 m)	8.0%
2015	(\$1.6 m)	1.7%	(\$3.3 m)	3.5%	(\$6.4 m)	6.8%
2016	(\$1.7 m)	1.7%	(\$3.4 m)	3.4%	(\$6.7 m)	6.7%
<b>2017</b>	<b>(\$1.8 m)</b>	<b>1.9%</b>	<b>(\$3.6 m)</b>	<b>3.7%</b>	<b>(\$7.2 m)</b>	<b>7.4%</b>

# Homestead Exemption

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- Based on 2017 property values, one cent of the Township's tax rate generates approximately \$2.0 million in tax revenue. The following chart shows the equivalent property tax rate reduction for various levels of homestead exemptions:

Homestead Exemption %	Equivalent Tax Rate Reduction
5%	0.9 cents
10%	1.8 cents
15%	2.7 cents
20%	3.6 cents

# Homestead Exemption

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Please reference Appendix A (pages 61 - 90) for detailed data and analysis regarding homestead exemptions in the amounts of 5%, 10% and 20%.

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# **IMPACT OF HOMESTEAD EXEMPTION ON OTHER BUDGET FACTORS**

# The Woodlands Township

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- Board decisions regarding property tax (such as the tax rate or exemptions) have historically been made in tandem with all other budget factors during the annual budget process.
- Making important financial decisions within this framework allows the Board to develop a comprehensive financial plan that addresses the needs and wants of the community and continues to maintain the Township's excellent financial position.

# The Woodlands Township

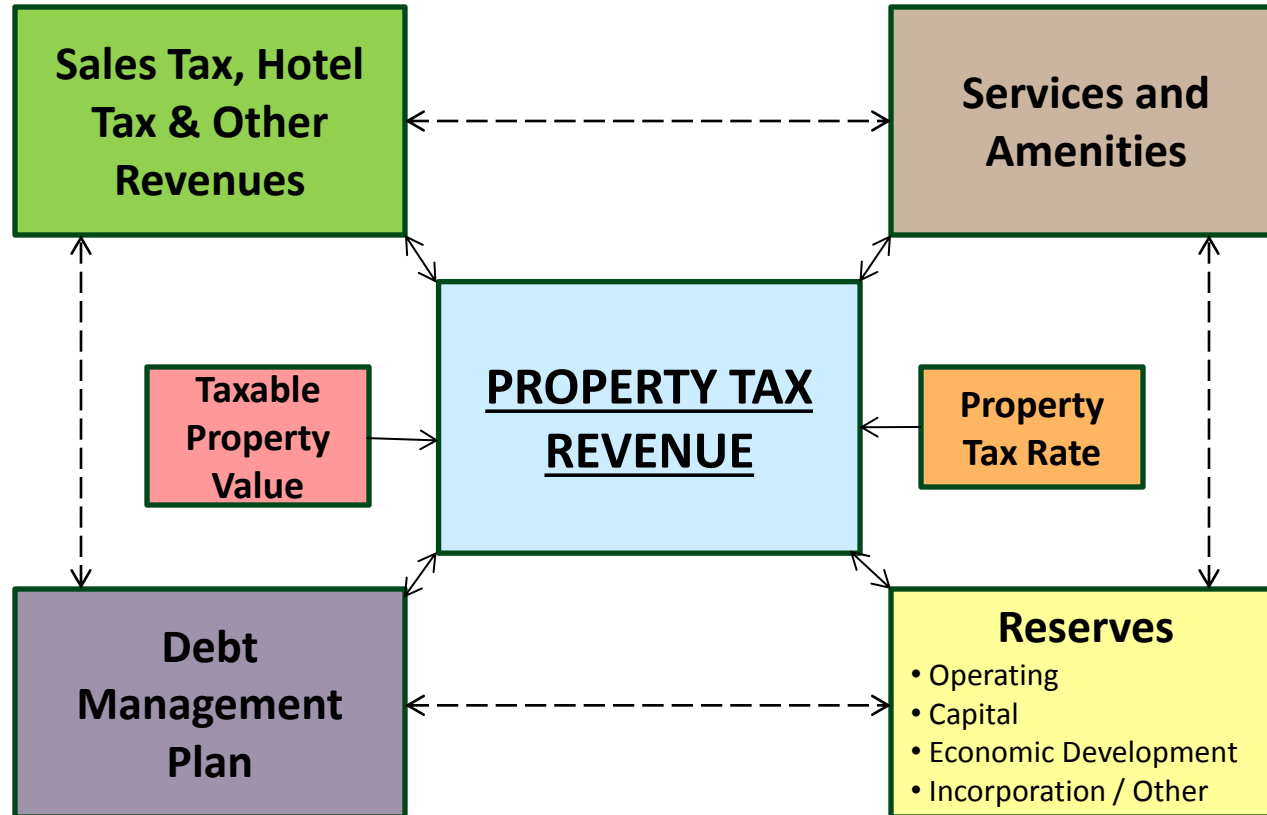
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- Although decisions regarding property taxation are a central component of the Township's budget process, the Board must make *equally important decisions* on other budget factors such as alternate revenue sources, types and levels of services, community amenities, debt management, and reserve allocations.
- These sources and uses of funds must all be prioritized and allocated in a manner that produces a balanced budget which aligns with the needs and wants of the taxpayers.
- The interrelationship between the various budget factors is illustrated on the following page.



# Budget Factors

## (Sources and Uses of Funds)



# Is the Township prioritizing its various sources and uses of funds appropriately?

- One of the most important tools the Board uses to determine if sources and uses of budget funds are being prioritized and allocated appropriately is the Community Survey.
- The following information from the Community Survey completed in January 2017 indicates a strong positive correlation between the Board's budget decisions and the residents' needs and wants.

# Quality of Local Government



91%

The Woodlands  
Township

**9** *in* **10**

*“very good” or “good”*

# Township Services Given High Marks

Fire Department

Recreation programs

Recycling collection

Emergency Medical  
Services

Swimming pools

Attracting businesses

Parks & Recreational  
facilities

Garbage collection

Crime prevention

Maintaining medians, pathways, streetscapes, parks & other areas

9 in 10

Rated 'very good' or 'good'

# Public Safety services important to residents

99%

considered

Crime prevention

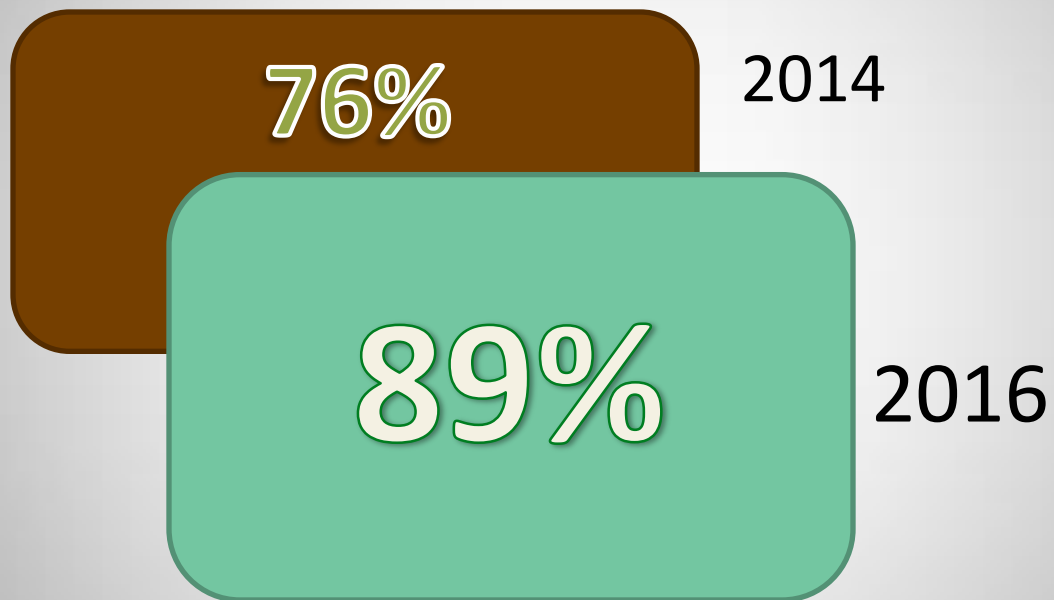
Fire Department

Emergency Medical  
Services

important



# Value of Services for Taxes Paid

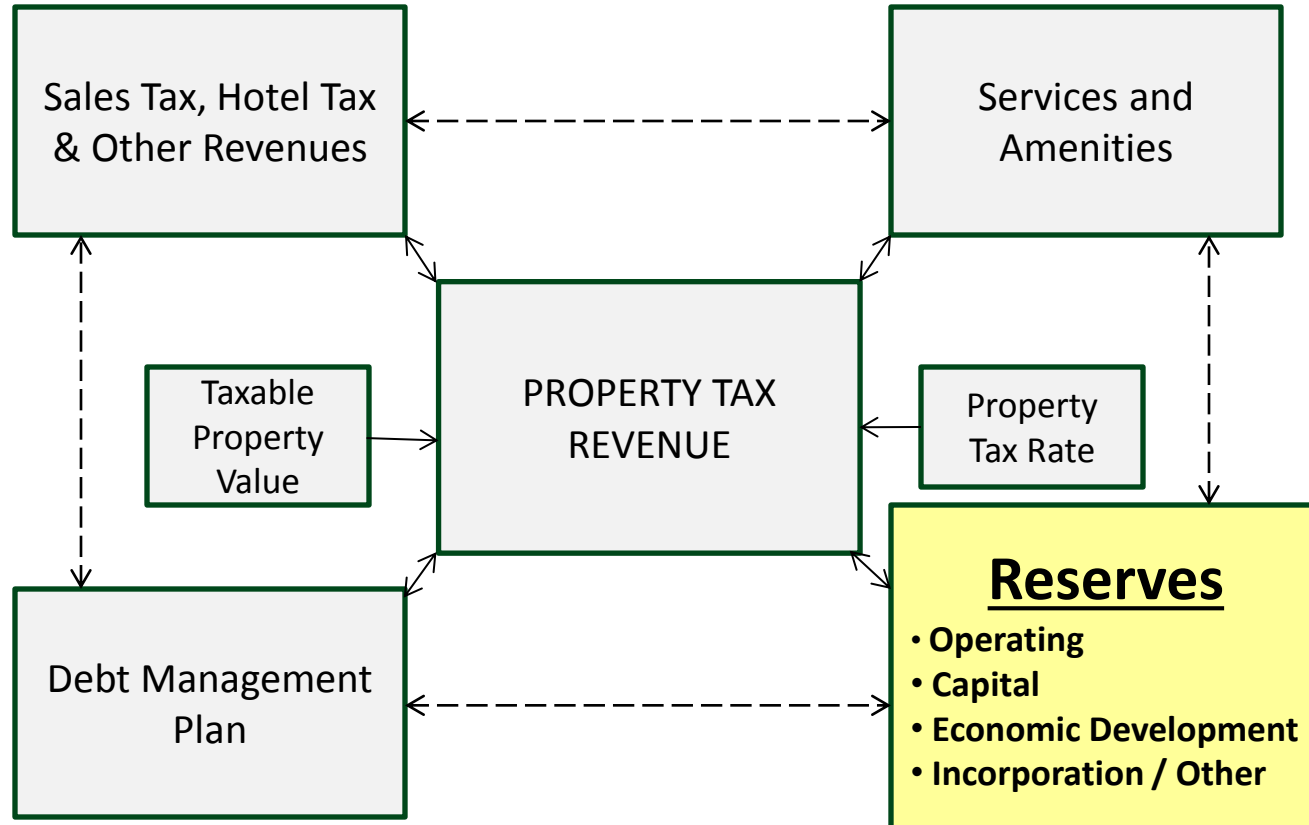


# Budget Factors

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- The following slides (pages 48 – 60) provide a brief overview of how the Township's various budget factors are related to the decision to grant a homestead exemption.

# Budget Factors





# Reserves

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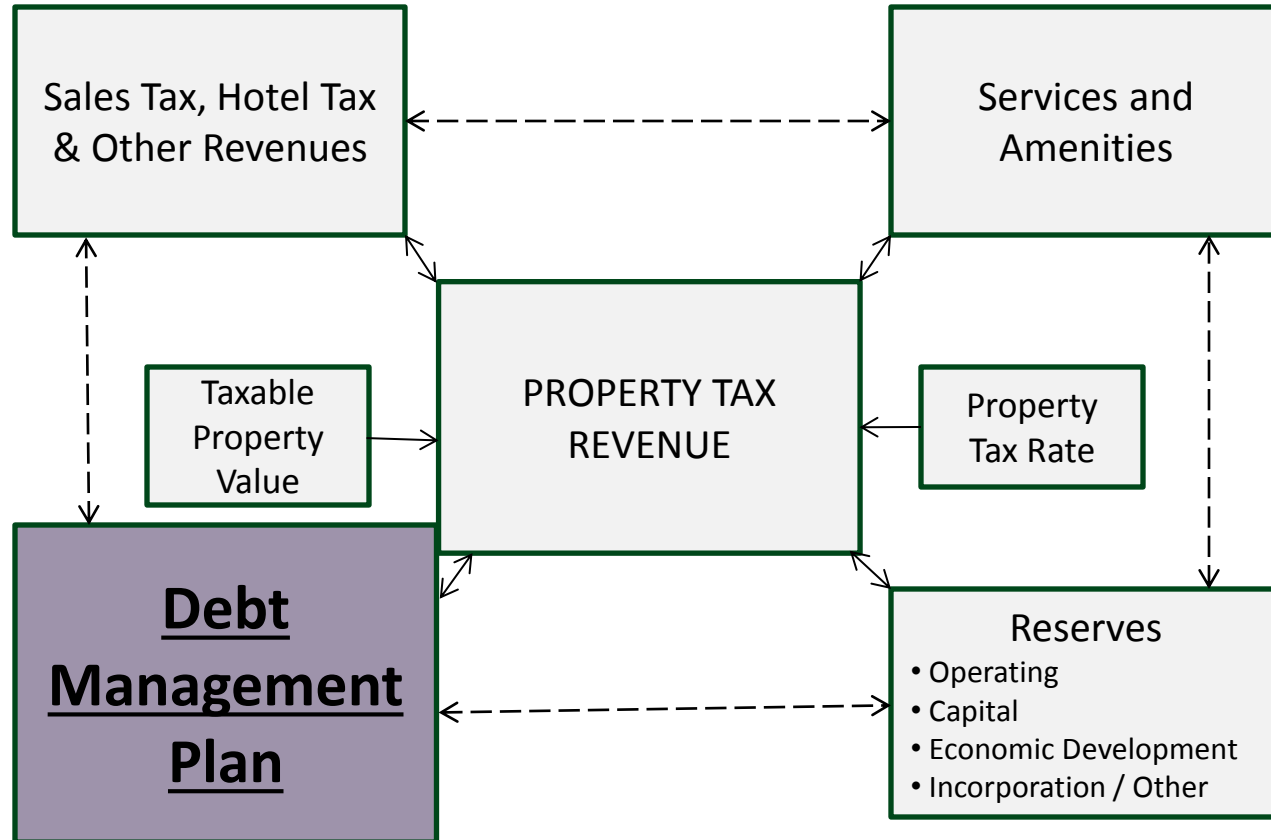
- Reserves are a very important component of the Township's financial plan and strong fiscal health.
- The Board has established reserve accounts to provide funding for unanticipated opportunities and contingencies, replace aging capital assets, facilitate a favorable credit rating, and help fund future services, projects and amenities as they are approved:
  - ✓ Operating Reserve
  - ✓ Capital Asset Replacement Reserve
  - ✓ Economic Development Reserve
  - ✓ Incorporation Reserve
  - ✓ Road and Bridge Fund

# Reserves

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- The operating, capital asset replacement, and economic development reserves have a dedicated annual funding source in the budget.
- The newly created incorporation reserve and road and bridge fund were funded only for 2017; funding for years beyond 2017 was not identified in the five-year plan.
- **The Board's ability to allocate additional resources to these reserves may be negatively impacted by a loss in revenue resulting from a homestead exemption.**

# Budget Factors

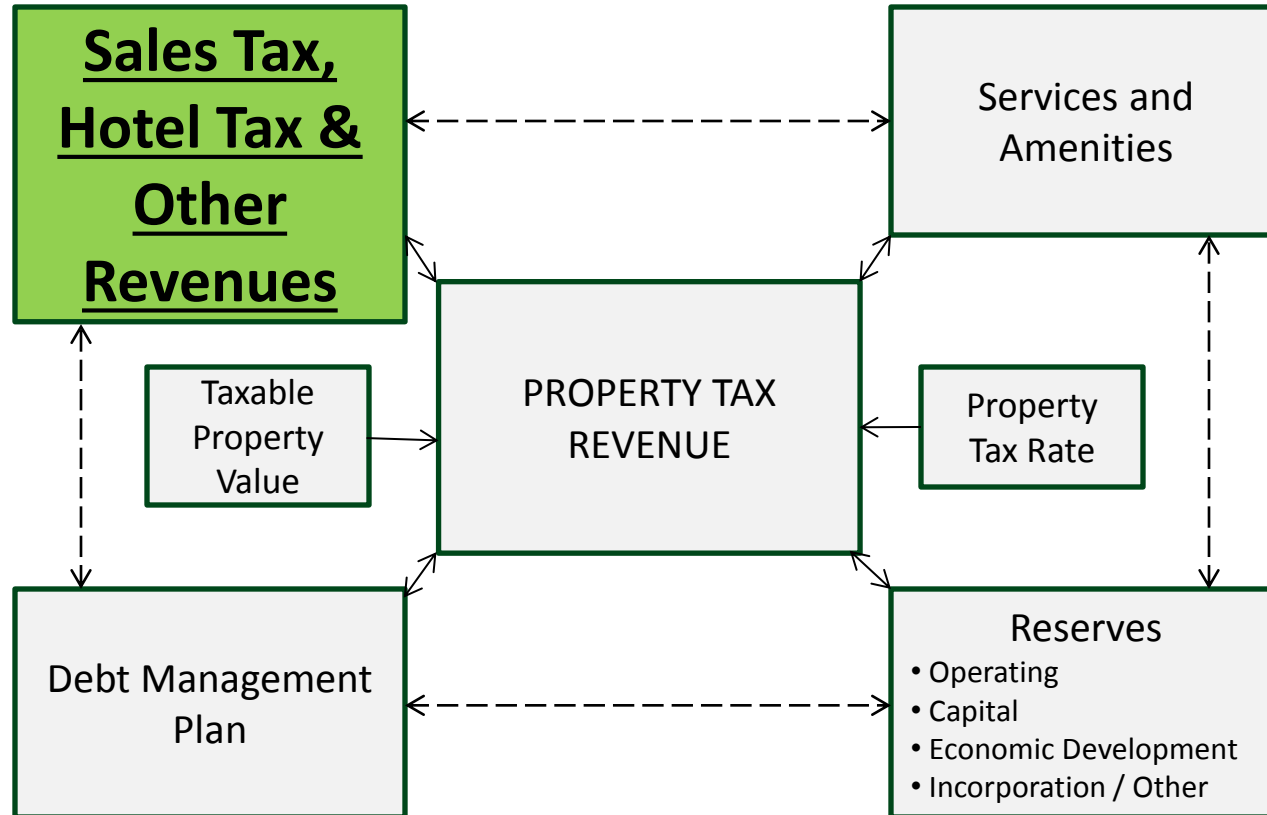


# Debt Management

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- The 2017 budget includes capacity for additional debt service to finance certain major capital projects that have been requested by taxpayers and are currently under consideration by the Board.
- If financing of these projects is pursued (and even if it is not), credit rating agencies will likely be reviewing the Township's recent actions regarding property taxation closely as property tax is considered the most stable source of income. This is particularly true given the current environment of volatile sales tax and hotel tax collections, which have historically contributed to a large percentage (45%) of the Township's total revenue sources.
- **The Township's credit rating may be negatively impacted by a decision that produces less property tax revenue and instead relies on volatile sales and hotel tax collections to pay for services.**

# Budget Factors

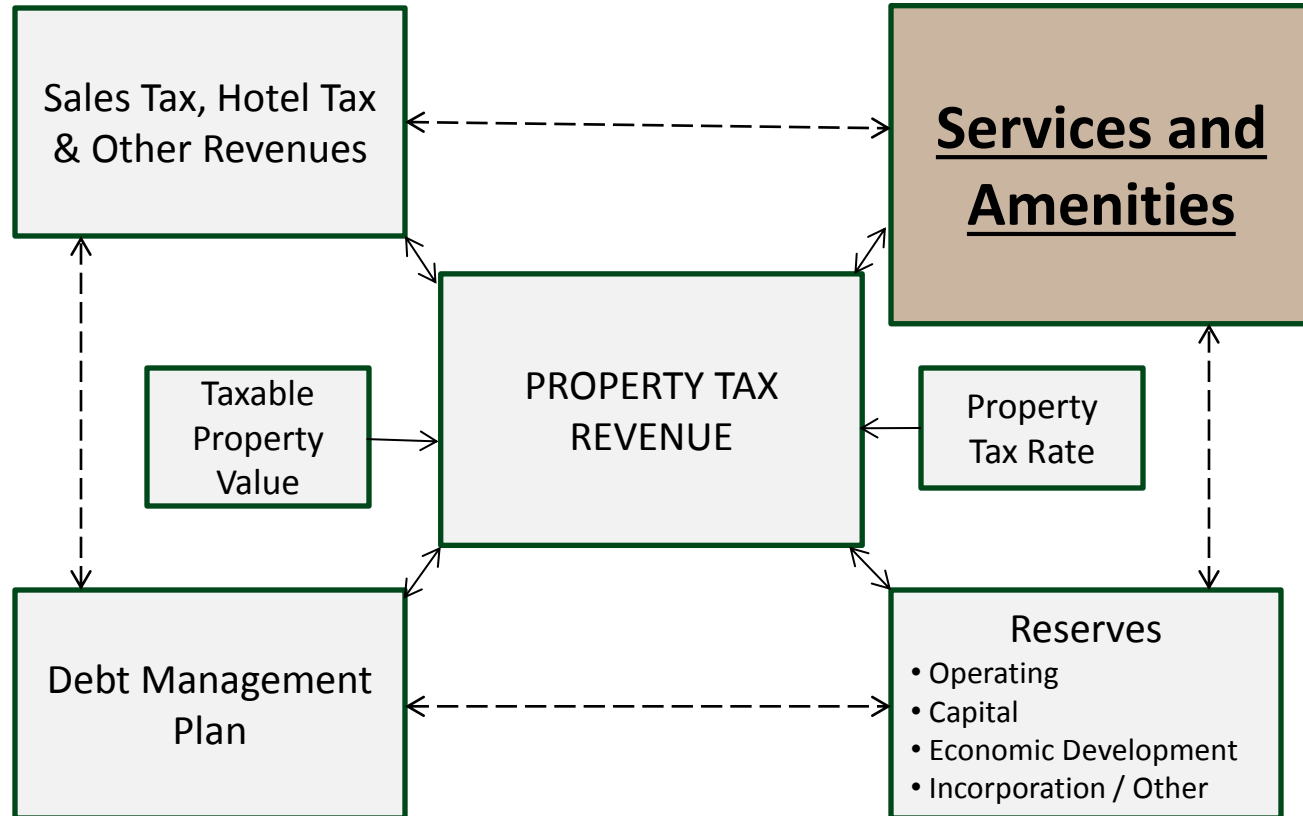


# Sales and Use Tax, Hotel Tax and Other Revenues

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- Retail sales tax has historically made up 52% – 55% of the Township's total sales and use tax revenue and has grown on average by 8% annually. However, recent trends have not been as favorable. Sales tax was flat from 2015 – 2016 and is trending down by 2.2% for the first quarter of 2017.
- Use tax generated by construction, manufacturing and leasing activities has decreased significantly in the past year as development of Hughes Landing, Creekside Park commercial areas, and major projects in the Town Center have been completed.
- Hotel tax, grant funds, program fees and contract revenue should not be relied upon as a means to offset decreased property tax revenue as these revenue sources are used for specific purposes rather than to fund general expenses.
- **Current conditions do not indicate that increases in sales and use tax revenue will be significant enough to offset the annual loss in property tax revenue resulting from a homestead exemption.**

# Budget Factors



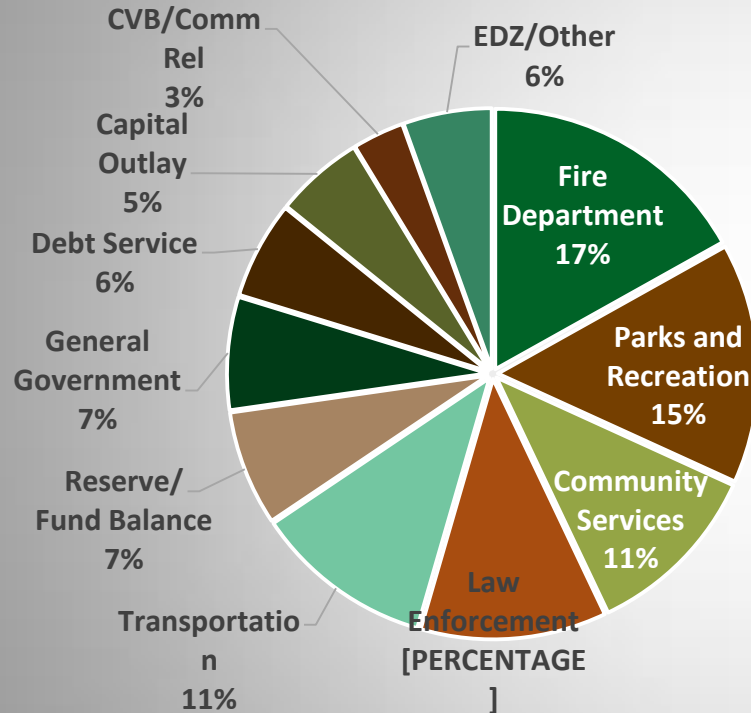
# Services and Amenities

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- As shown on the following slide, the Township's budget allocations align closely with those services most important to and most highly rated by the residents in the recent Community Survey.
  - ✓ Public Safety (fire department and law enforcement)
  - ✓ Parks and Recreation (operations and capital)
  - ✓ Community Services (garbage collection, streetscape maintenance, street lighting)
  - ✓ Transportation
- Together, these budget components make up approximately 70% of expenses.
- An additional 15% of total expenses is related to contractual obligations primarily for debt service, the Economic Development Zones, and the Regional Participation Agreements. These expenses cannot be adjusted.
- **Therefore, cuts to the budget to offset decreased revenue resulting from a homestead exemption will likely impact some of the services and amenities deemed important and rated highly by the residents.**



# The Woodlands Township Fiscal Year 2017 Uses of Funds



Uses of Funds	Amount
Fire Department	\$22,043,409
Parks	19,457,781
Community Services	14,531,147
Law Enforcement	15,062,371
Transportation	14,486,512
Reserve/Fund Balance	9,328,034
General Government	9,152,840
Debt Service	7,903,798
Capital Outlay	7,173,050
CVB/Community Relations	4,180,742
EDZ/Other	7,174,615
<b>Total</b>	<b>\$130,494,299</b>

# Services and Amenities

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- Because a homestead exemption affects the Township's tax revenue on an ongoing, year-after-year basis, the corresponding adjustments to balance the budget must also have an ongoing, year-after-year effect. These budget adjustments would likely be made to operating expenses and/or allocations to reserves.
- A capital project generally impacts budget funding for only a single year and is therefore not effective in neutralizing the ongoing effect of a homestead exemption on tax revenues. In order to offset a reduction in annual tax revenue, capital projects would need to be eliminated (not just deferred) in each year of the Township's long-term capital plan.

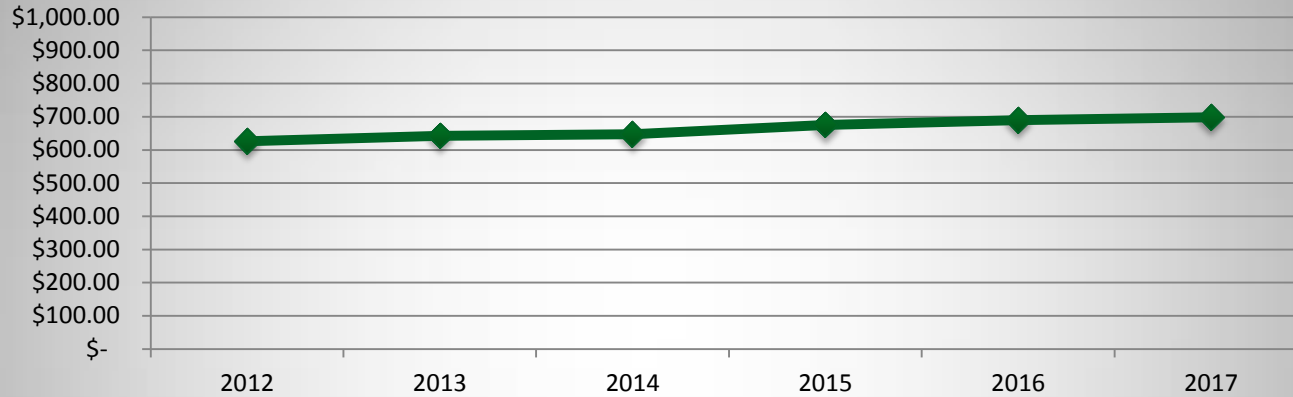
# Services and Amenities

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- A graph illustrating operating expenses per capita (adjusted for inflation) is shown on the following page.
- Per capita expenses have increased on average by 2.5% annually over the past five years.
- Increases to the Township's budget have been effectively managed by the Board to achieve goals related to:
  - Responding directly to residents' requests for enhanced services and amenities
  - Preserving the natural environment
  - Addressing matters involving aging of the community
  - Keeping up with residential and commercial growth

# The Woodlands Township

## General Fund Operating Expenses Per Capita adjusted for inflation



Increases in operating expenses per capita are due primarily to:

1. Enhanced public safety services
2. Enhanced streetscape and community maintenance
3. Forestry management
4. Covenant enforcement staffing and other costs to address increasing applications and matters related to aging neighborhoods
5. Increases in certain expenditures that are directly offset by related increases in revenue (for example, Regional Participation Agreement payments and events admission tax payments)

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# **APPENDIX A: HOMESTEAD EXEMPTION ANALYSIS**

# Residence Homestead Exemption

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- Various scenarios regarding homestead exemptions for fiscal years 2013 – 2017 have been prepared as outlined below and shown on the following pages:
  - ✓ Scenarios A, B, and C:

A homestead exemption of 5%, 10% or 20% is granted *in lieu of* a reduction to the tax rate (the FY 2013 tax rate of 31.73 cents is maintained for years 2014-2017).
  - ✓ Scenarios D, E, and F:

The financial impact of a 5%, 10% or 20% homestead exemption is offset by higher property tax rates in order to generate the same amount of property tax revenue necessary to fund the budgets that were adopted in years 2013 – 2017.
  - ✓ Scenarios G, H, and I:

A 5%, 10% or 20% homestead exemption is combined with the actual tax rates that were adopted by the Township for fiscal years 2013 – 2017. These scenarios generate less revenue than necessary to fund the adopted budgets.

# Residence Homestead Exemption *in lieu of* Reduction to the Tax Rate

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The following pages contain charts showing the tax impacts on residential and commercial properties as outlined below:

➤ Scenario A:

**5% Homestead Exemption**

Fiscal year 2013 tax rate of 31.73 cents is maintained for years 2013 – 2017.

➤ Scenario B:

**10% Homestead Exemption**

Fiscal year 2013 tax rate of 31.73 cents is maintained for years 2013 – 2017.

➤ Scenario C:

**20% Homestead Exemption**

Fiscal year 2013 tax rate of 31.73 cents is maintained for years 2013 – 2017.

# Residence Homestead Exemption

- [Scenarios A, B and C](#) illustrate that the Township Board's focus on lowering the tax rates over fiscal years 2014 – 2017 was more beneficial to taxpayers than granting a 5%, 10% or 20% homestead exemption.

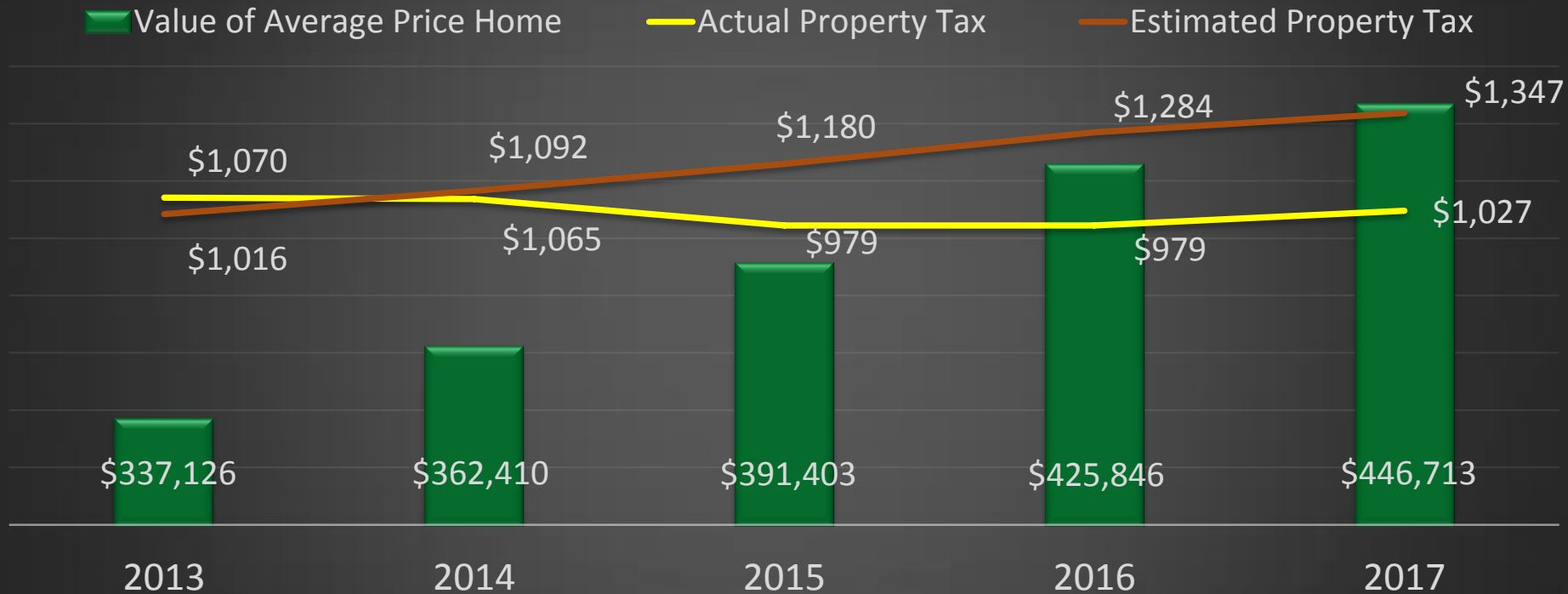
Property Tax Paid on Average Price Home

	FY2014	FY2015	FY2016	FY2017	Total
Actual Property Tax	\$1,065	\$979	\$979	\$1,027	<b>\$4,050</b>
Tax with 5% Homestead*	\$1,092	\$1,180	\$1,284	\$1,347	\$4,903
Tax with 10% Homestead*	\$1,035	\$1,118	\$1,216	\$1,276	\$4,645
Tax with 20% Homestead*	\$920	\$994	\$1,081	\$1,134	\$4,129

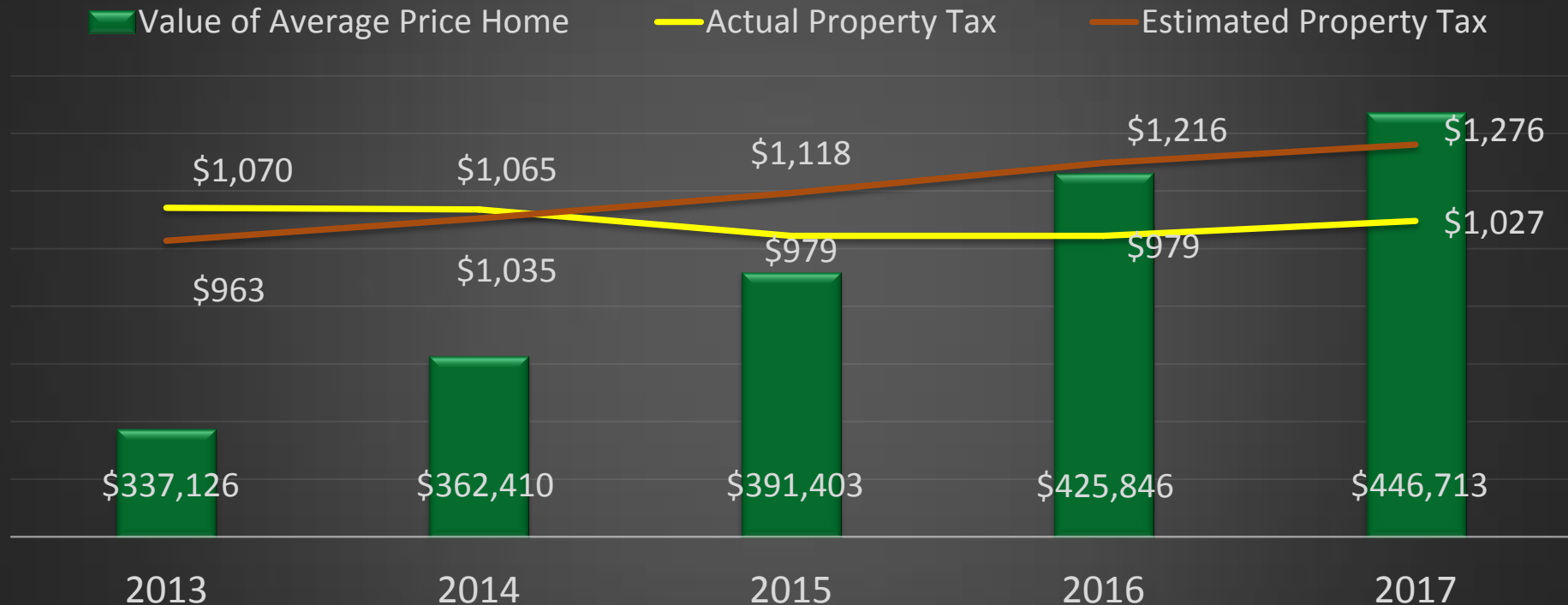
\* Assumes FY2013 tax rate of 31.73 cents is maintained



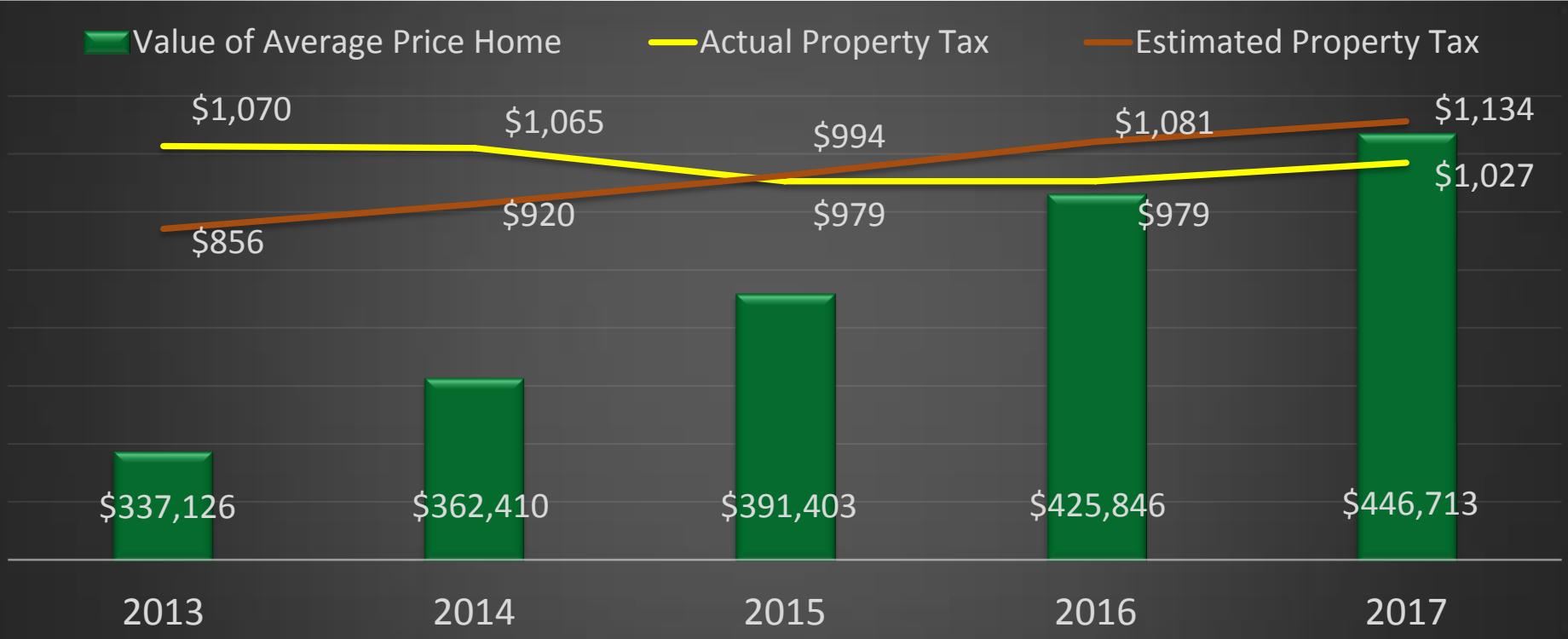
**Scenario A: Actual Township Property Tax on an Average Price Home compared to Estimated Tax assuming 5% Homestead Exemption and maintaining FY 2013 Tax Rate of 31.73¢**



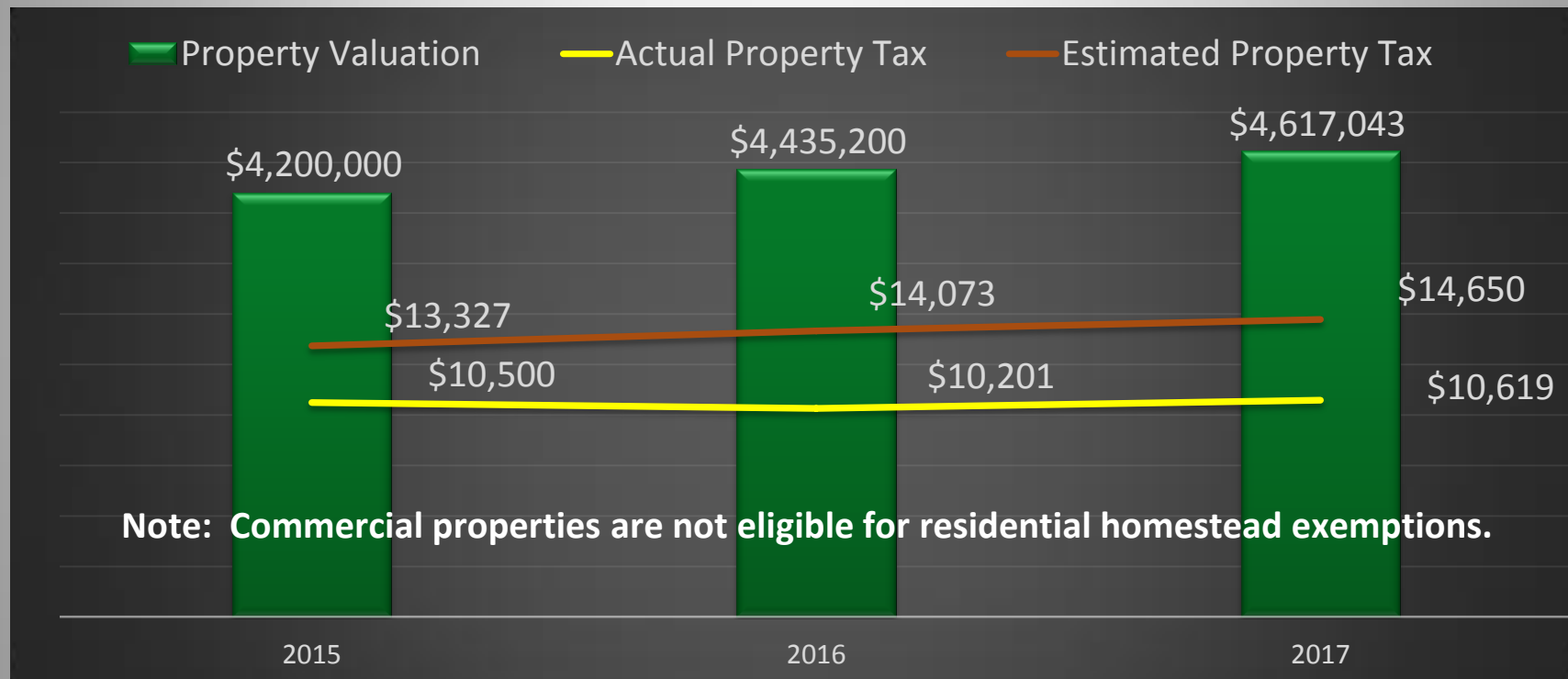
**Scenario B: Actual Township Property Tax on an Average Price Home *compared to* Estimated Tax assuming 10% Homestead Exemption and maintaining FY 2013 Tax Rate of 31.73¢**



**Scenario C: Actual Township Property Tax on an Average Price Home *compared to* Estimated Tax assuming 20% Homestead Exemption and maintaining FY 2013 Tax Rate of 31.73¢**



Scenarios A, B and C: Actual Township Property Tax on Average Commercial Taxable Value *compared to* Estimated Tax assuming Residential Homestead and maintaining FY 2013 Tax Rate of 31.73¢



# Residence Homestead Exemption *is offset by* Higher Tax Rates in order to Generate Same Level of Property Tax Revenue Necessary to Fund Adopted Budgets

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The following pages contain charts showing the tax impacts on residential and commercial properties as outlined below:

➤ **Scenario D:**

**5% Homestead Exemption**

Adjust tax rates as necessary to generate sufficient revenue to fund adopted annual budgets.

➤ **Scenario E:**

**10% Homestead Exemption**

Adjust tax rates as necessary to generate sufficient revenue to fund adopted annual budgets.

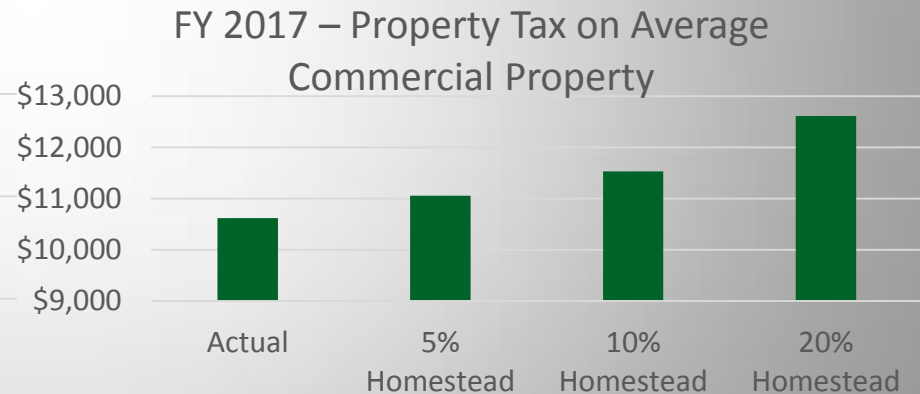
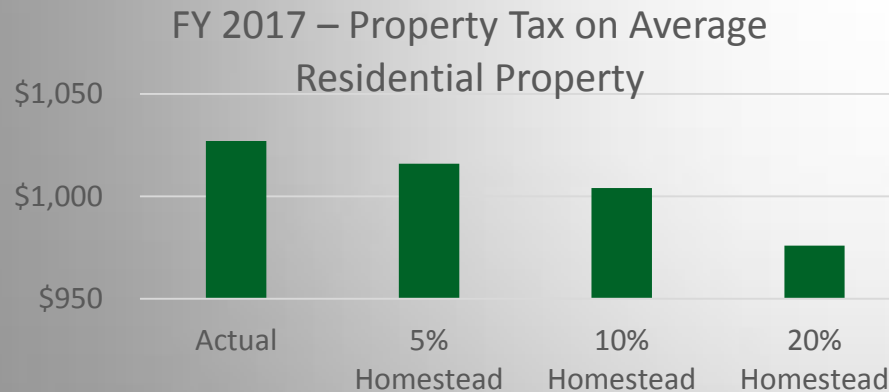
➤ **Scenario F:**

**20% Homestead Exemption**

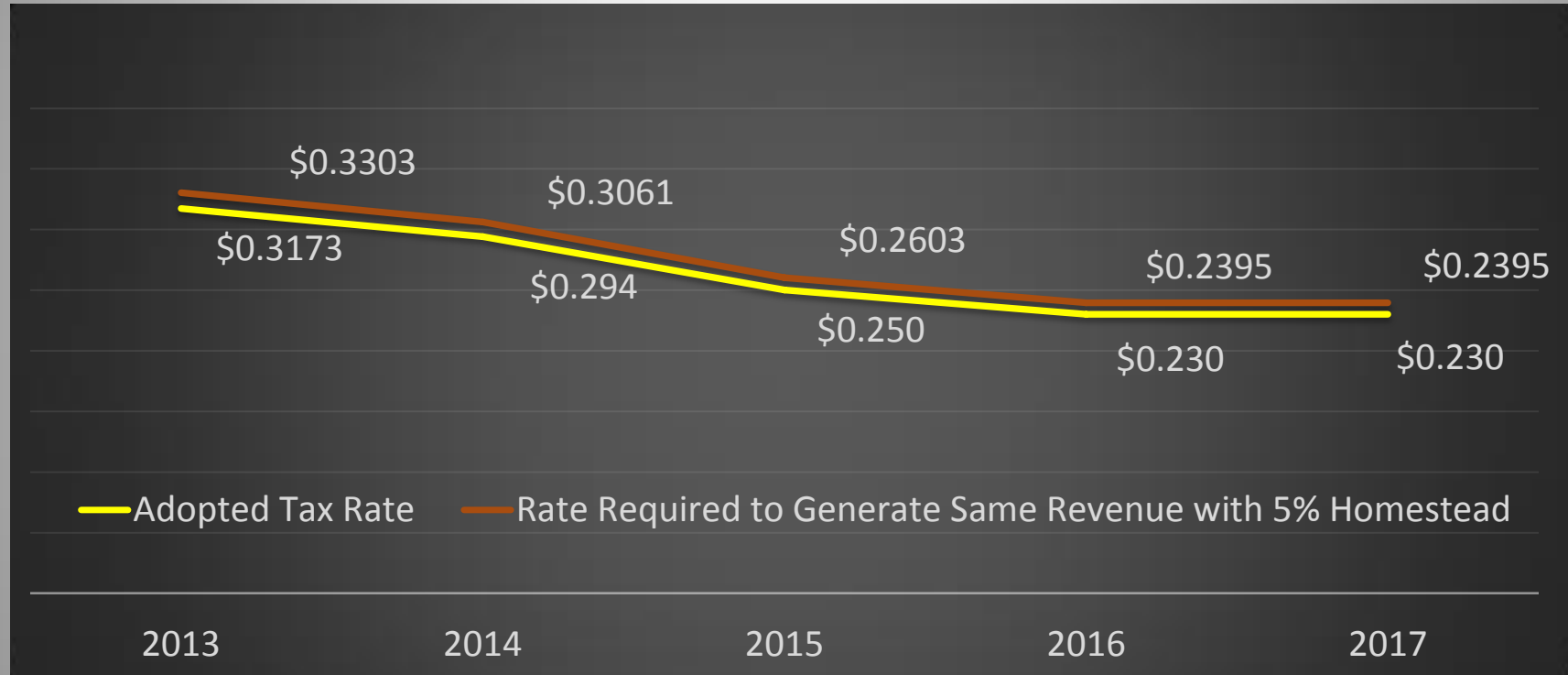
Adjust tax rates as necessary to generate sufficient revenue to fund adopted annual budgets.

# Residence Homestead Exemption

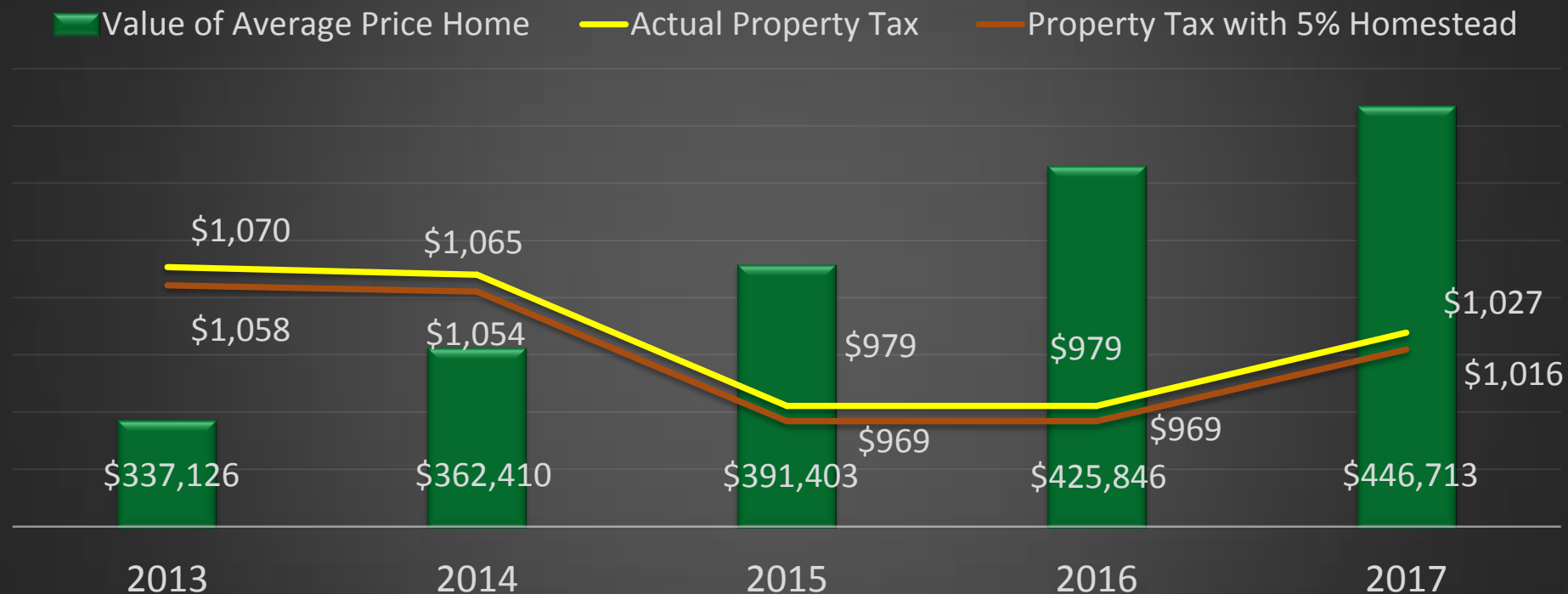
- [Scenarios D, E and F](#) illustrate the impacts that a 5%, 10% or 20% homestead exemption would have had on the Township's property tax rates assuming the same level of tax revenue was needed to fund services and amenities as originally identified in the Township's adopted budgets. These scenarios also illustrate the shift of tax burden from residential properties to commercial properties.



**Scenario D: Adopted Property Tax Rate *compared to* Tax Rate Required to Generate Same Level of Property Tax Necessary to Fund Adopted Budget assuming 5% Homestead Exemption**

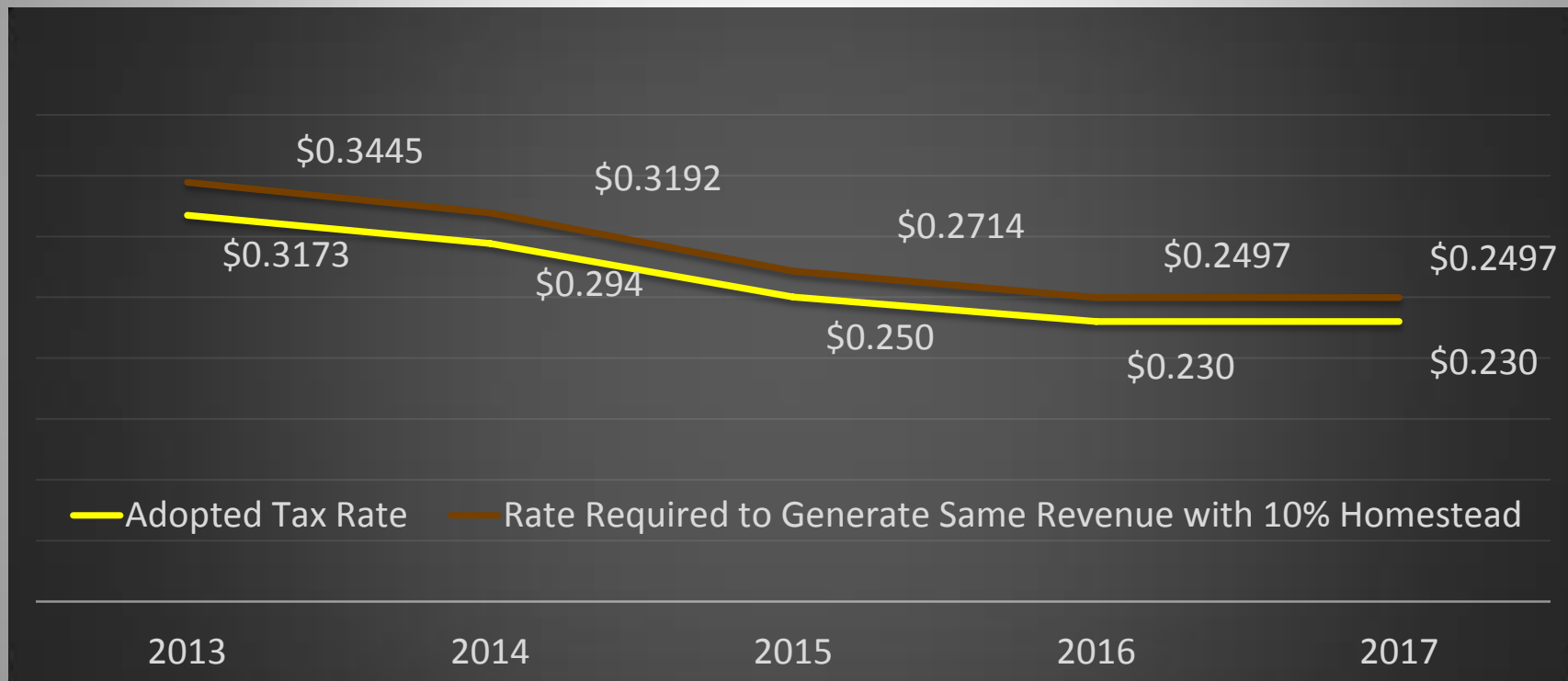


## Scenario D: Actual Township Property Tax on an Average Price Home *compared to* Estimated Tax assuming 5% Homestead Exemption and Adjusting Tax Rates to Generate Same Level of Property Tax Revenue

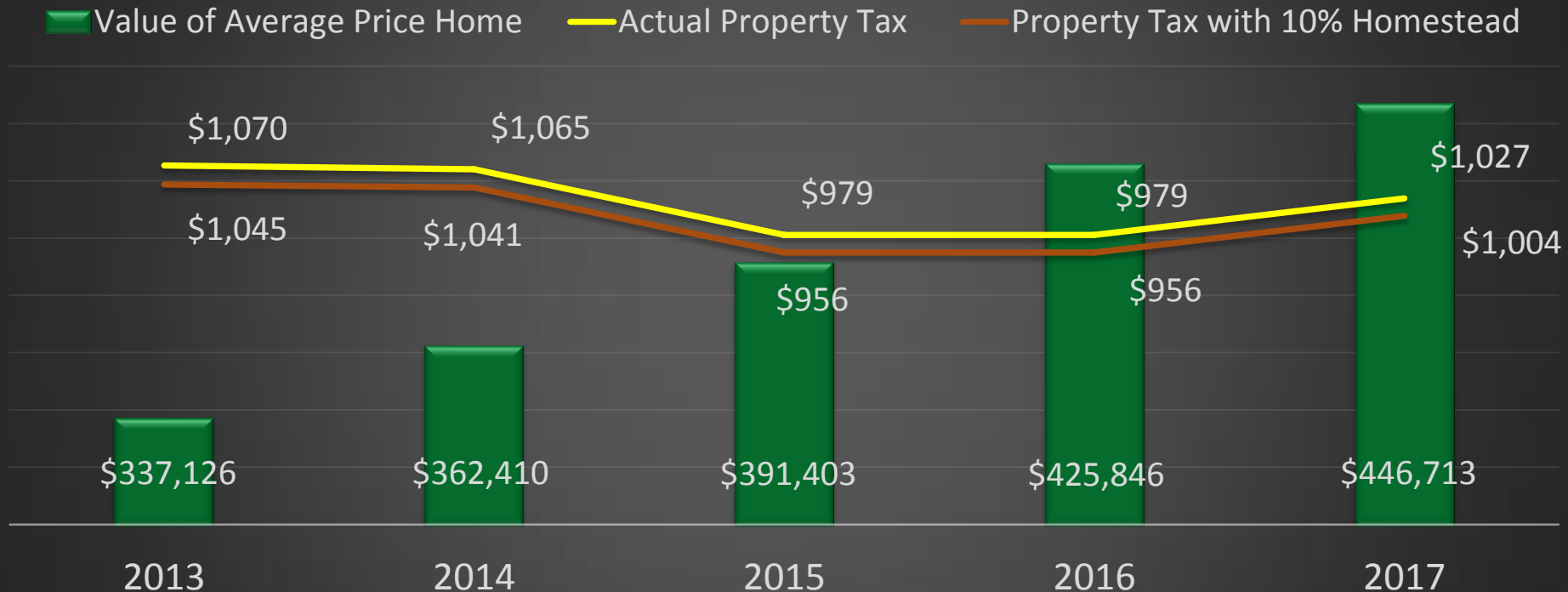




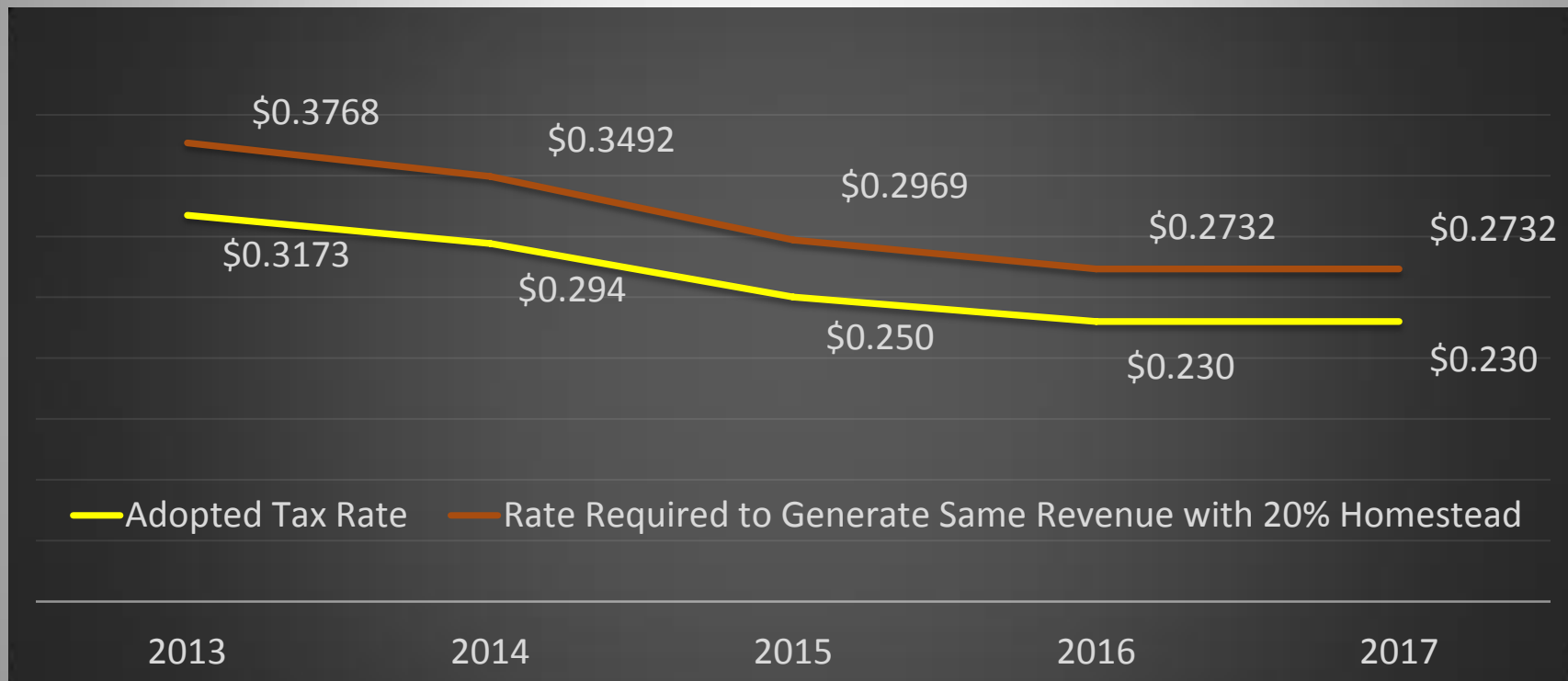
**Scenario E: Adopted Property Tax Rate *compared to* Tax Rate Required to Generate Same Level of Property Tax Necessary to Fund Adopted Budget assuming 10% Homestead Exemption**



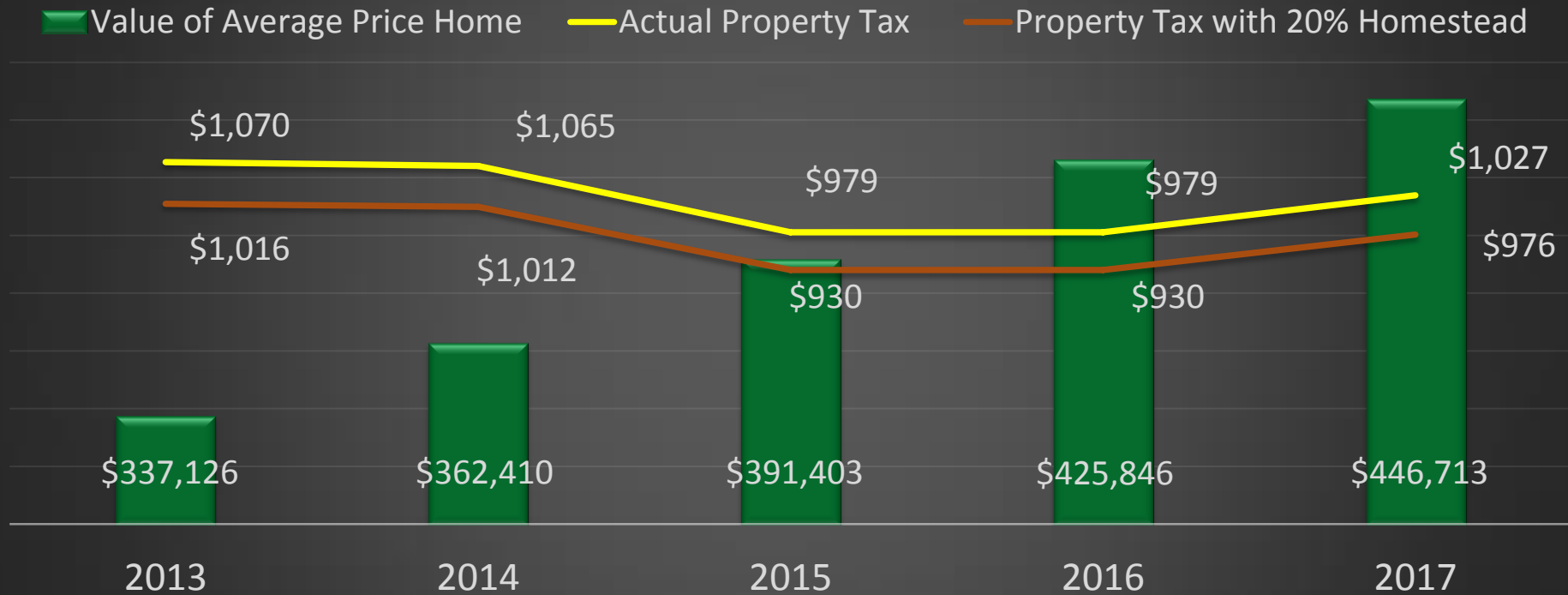
**Scenario E: Actual Township Property Tax on an Average Price Home *compared to* Estimated Tax assuming 10% Homestead Exemption and Adjusting Tax Rates to Generate Same Level of Property Tax Revenue**



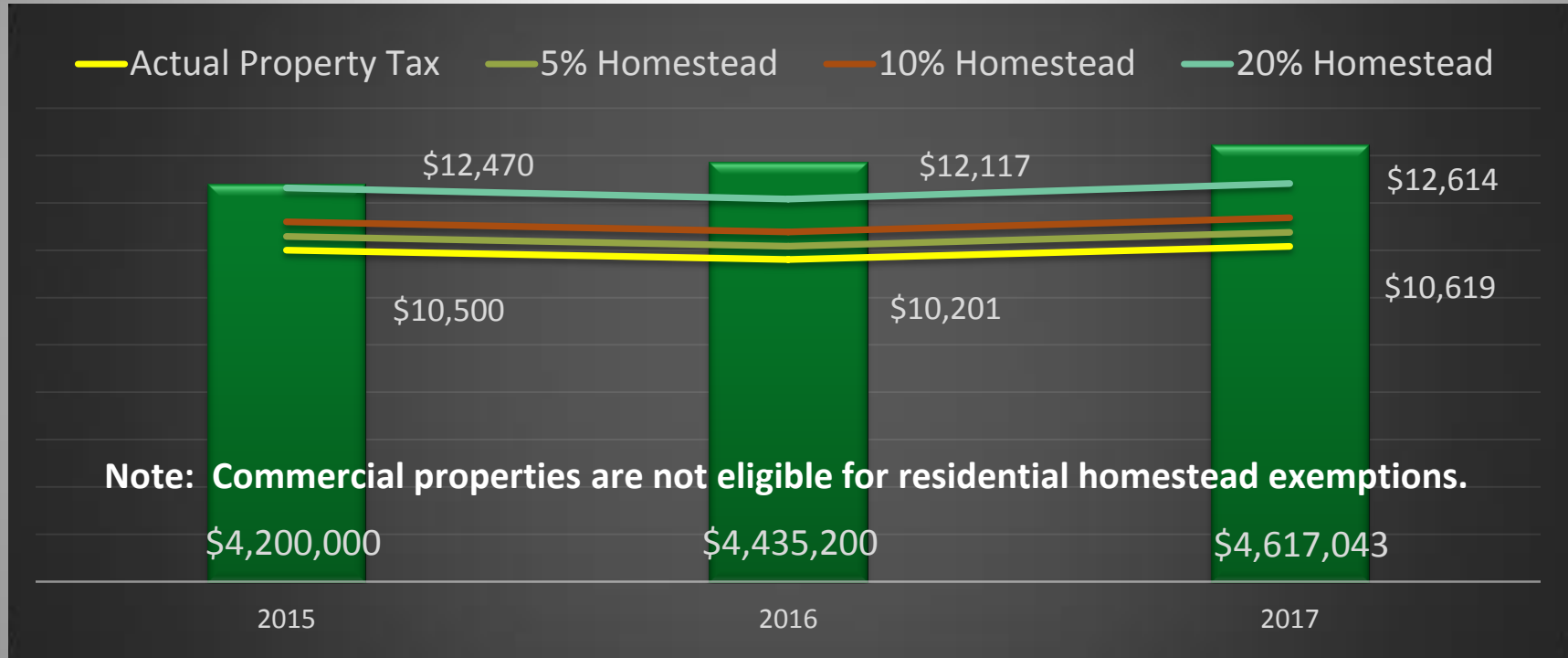
**Scenario F: Adopted Property Tax Rate *compared to* Tax Rate Required to Generate Same Level of Property Tax Necessary to Fund Adopted Budget assuming 20% Homestead Exemption**



**Scenario F: Actual Township Property Tax on an Average Price Home *compared to* Estimated Tax assuming 20% Homestead Exemption and Adjusting Tax Rates to Generate Same Level of Property Tax Revenue**



Scenarios D, E and F: Actual Township Property Tax on Average Commercial Taxable Value *compared to* Estimated Tax assuming Residential Homestead and Adjusting Tax Rates to Generate Same Level of Property Tax Revenue



# Residence Homestead Exemption *combined with* Reduction to the Tax Rate

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The following pages contain charts showing the tax impacts on residential and commercial properties as outlined below:

➤ Scenario G:

**5% Homestead Exemption**

Actual property tax rates adopted for fiscal years 2013 – 2017.

➤ Scenario H:

**10% Homestead Exemption**

Actual property tax rates adopted for fiscal years 2013 – 2017.

➤ Scenario I:

**20% Homestead Exemption**

Actual property tax rates adopted for fiscal years 2013 – 2017.

# Residence Homestead Exemption

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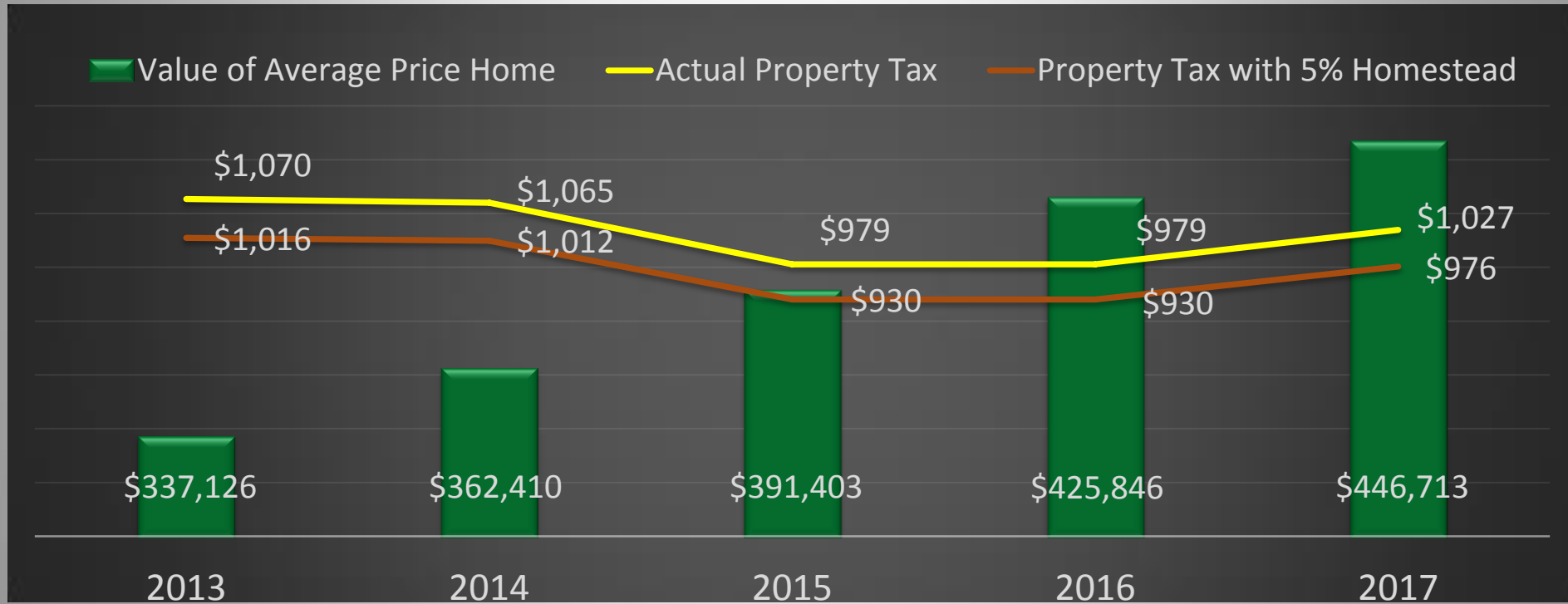
- [Scenarios G, H and I](#) illustrate the impacts of a 5%, 10% or 20% homestead exemption when combining the resulting lower taxable property values with the actual (lower) tax rates adopted by the Board.
  - While residential taxpayers would have paid less under these scenarios, the decrease in revenue for the Township would have required corresponding adjustments to the levels of services and amenities funded in the adopted budgets.
  - For 2017, adjustments to the budget totaling \$1.8 million (5% homestead), \$3.6 million (10% homestead), or \$7.2 million (20% homestead) would have been required to maintain a balanced budget.
  - Because the impact of a homestead exemption affects more than the current year, budget adjustments would have had to apply to ongoing operating expenses rather than one-time capital expenditures in order to maintain a balanced five-year business plan.

# Impact of Homestead Exemptions on Funding Budgets Adopted for years 2013 - 2017

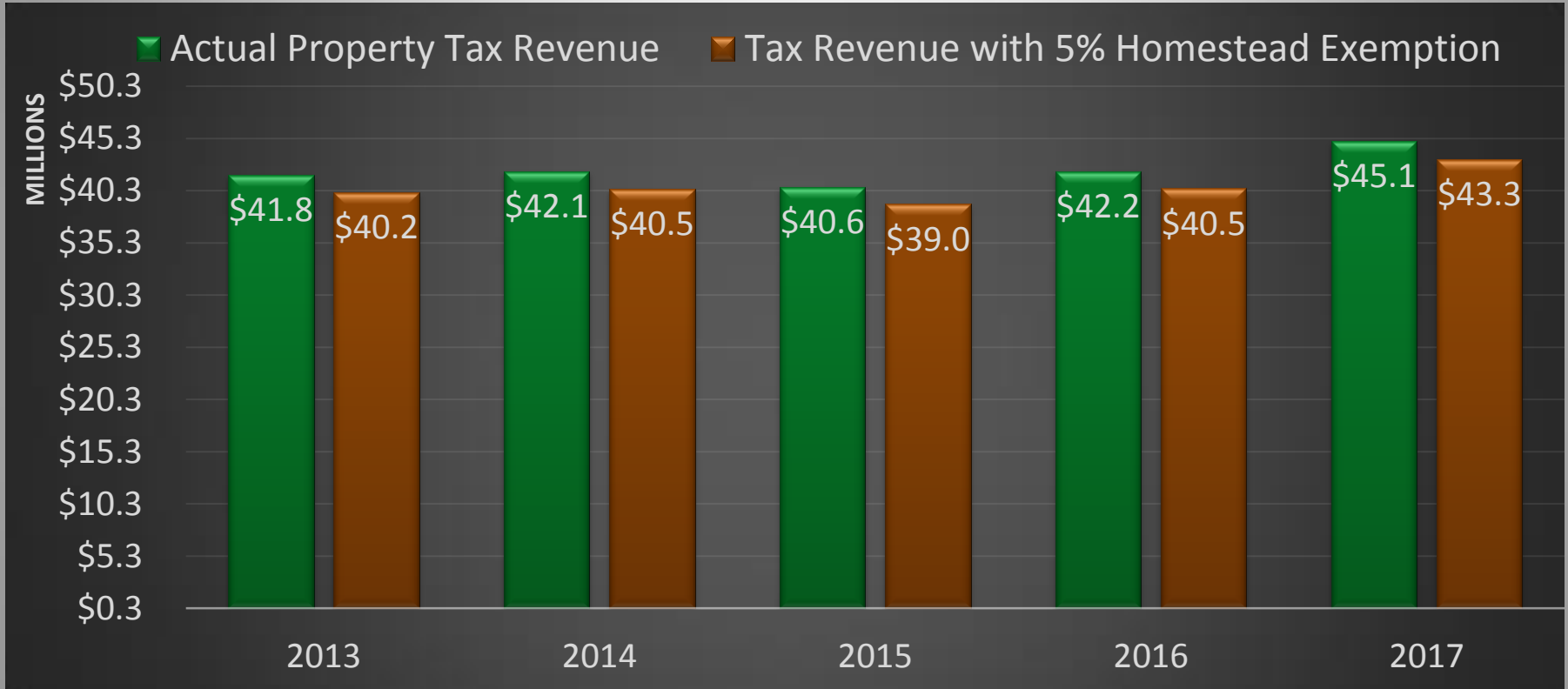
	Budget Funding Shortfall with <u>5%</u> Homestead	% of General Fund Operating Budget	Budget Funding Shortfall with <u>10%</u> Homestead	% of General Fund Operating Budget	Budget Funding Shortfall with <u>20%</u> Homestead	% of General Fund Operating Budget
2013	(\$1.6 m)	2.2%	(\$3.3 m)	4.5%	(\$6.6 m)	9.0%
2014	(\$1.6 m)	1.9%	(\$3.3 m)	4.0%	(\$6.6 m)	8.0%
2015	(\$1.6 m)	1.7%	(\$3.3 m)	3.5%	(\$6.4 m)	6.8%
2016	(\$1.7 m)	1.7%	(\$3.4 m)	3.4%	(\$6.7 m)	6.7%
<b>2017</b>	<b>(\$1.8 m)</b>	<b>1.9%</b>	<b>(\$3.6 m)</b>	<b>3.7%</b>	<b>(\$7.2 m)</b>	<b>7.4%</b>



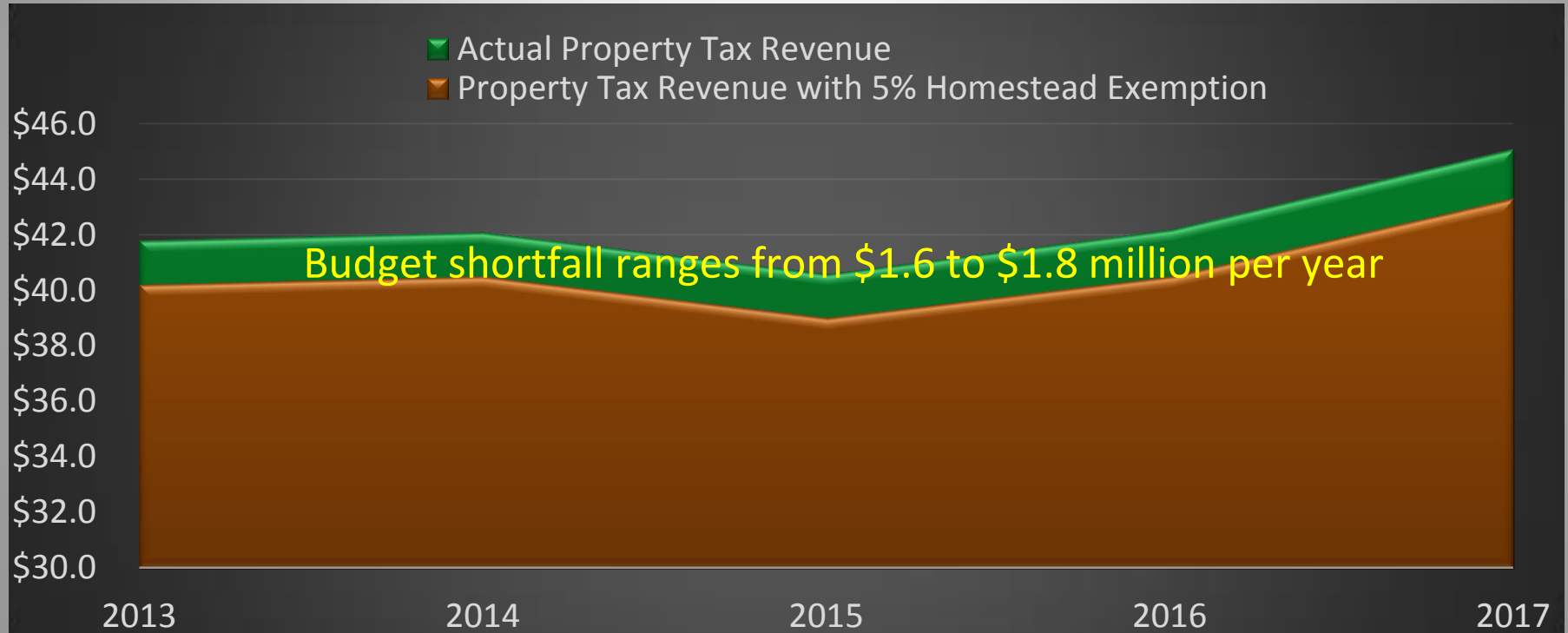
**Scenario G: Actual Township Property Tax on an Average Price Home *compared to* Estimated Property Tax assuming 5% Homestead Exemption and Adopted Tax Rates**



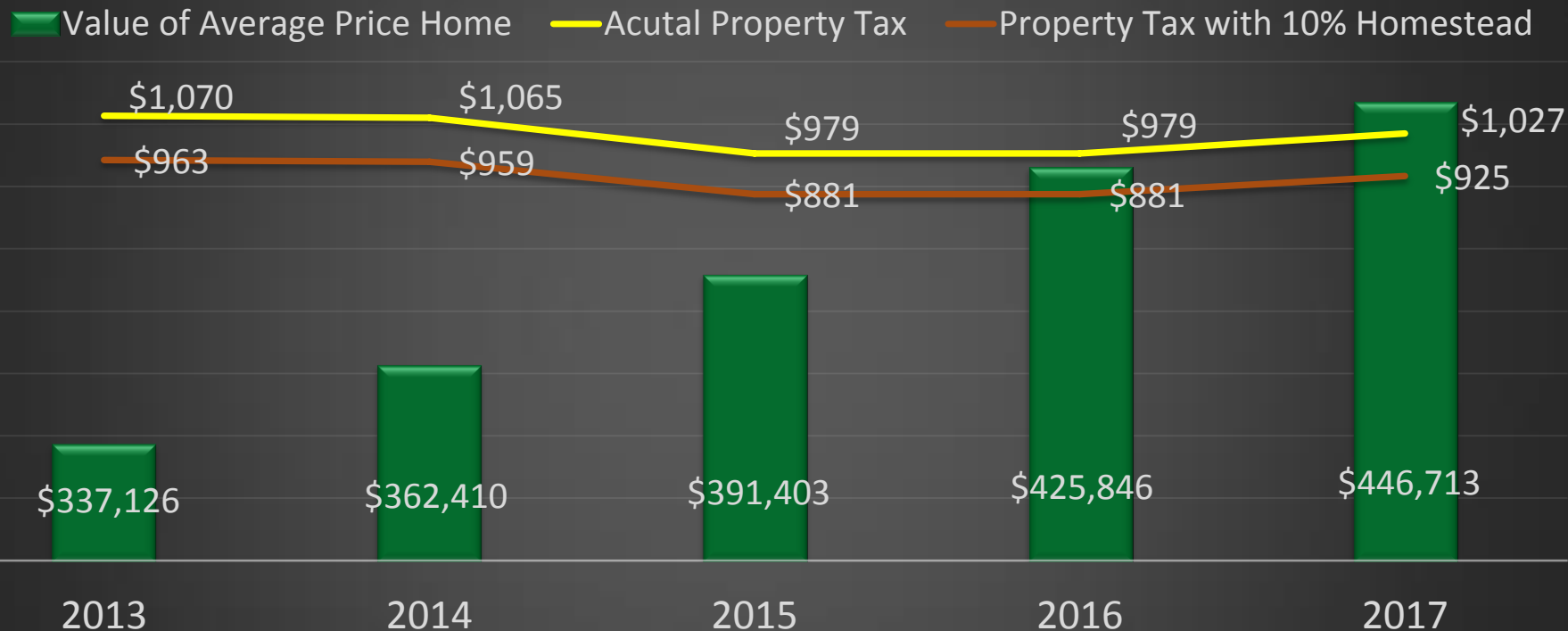
## Scenario G: Actual Property Tax Revenue *compared to* Estimated Property Tax Revenue assuming 5% Homestead & Adopted Tax Rates



**Scenario G: Actual Property Tax Revenue *compared to*  
Estimated Property Tax Revenue assuming  
5% Homestead Exemption & Adopted Tax Rates**

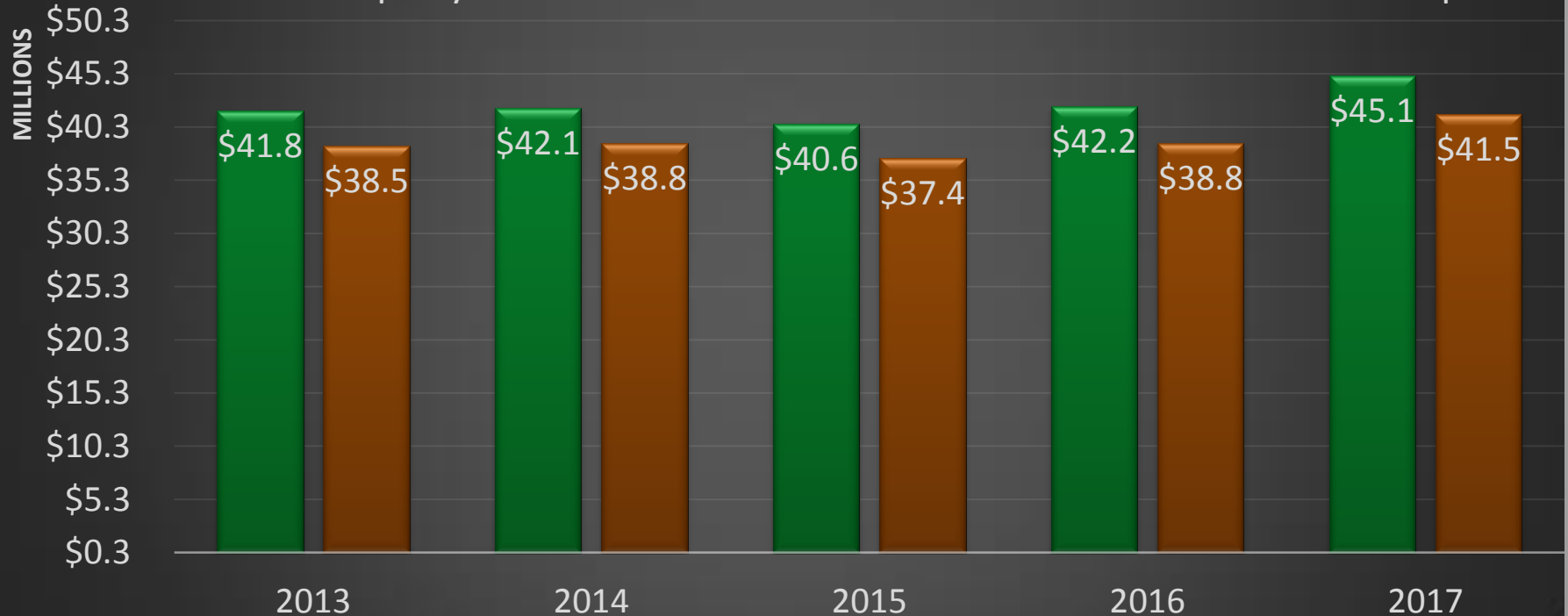


## Scenario H: Actual Township Property Tax on an Average Price Home *compared to* Estimated Property Tax assuming 10% Homestead Exemption and Adopted Tax Rates

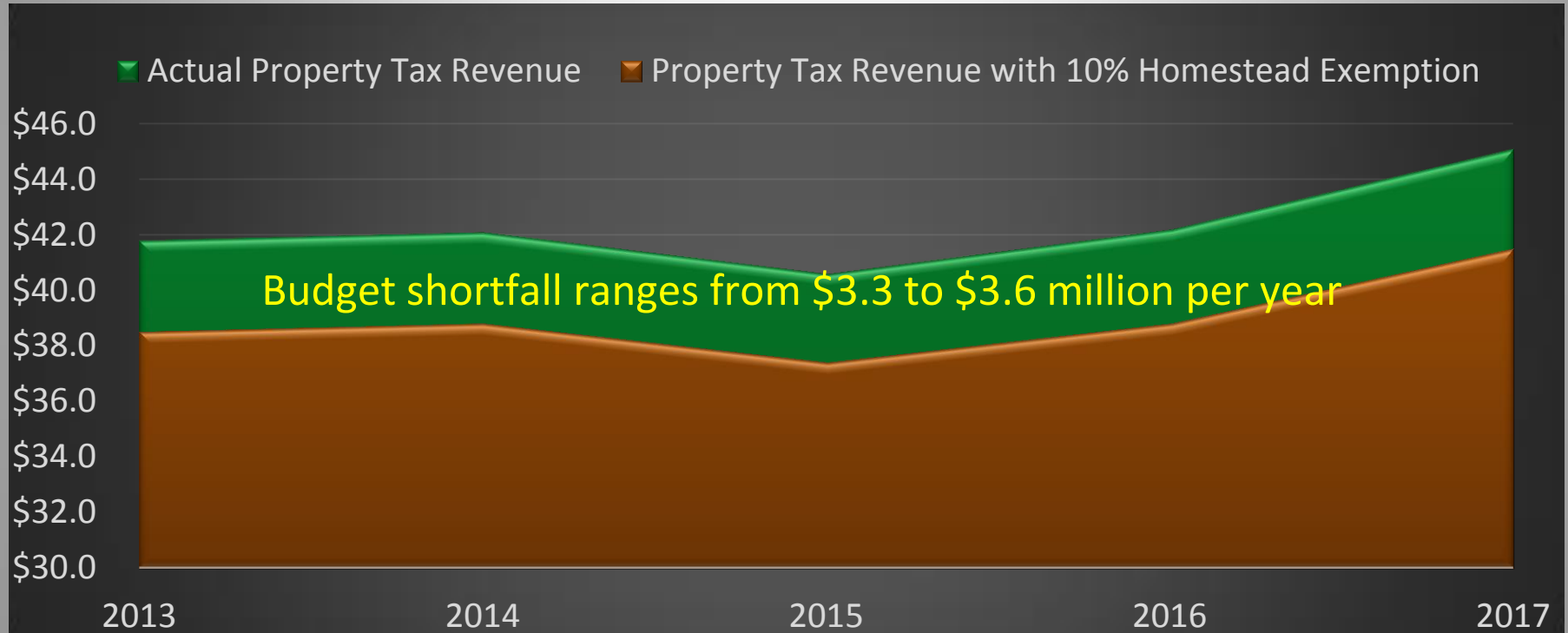


## Scenario H: Actual Property Tax Revenue *compared to* Estimated Property Tax Revenue assuming 10% Homestead & Adopted Tax Rates

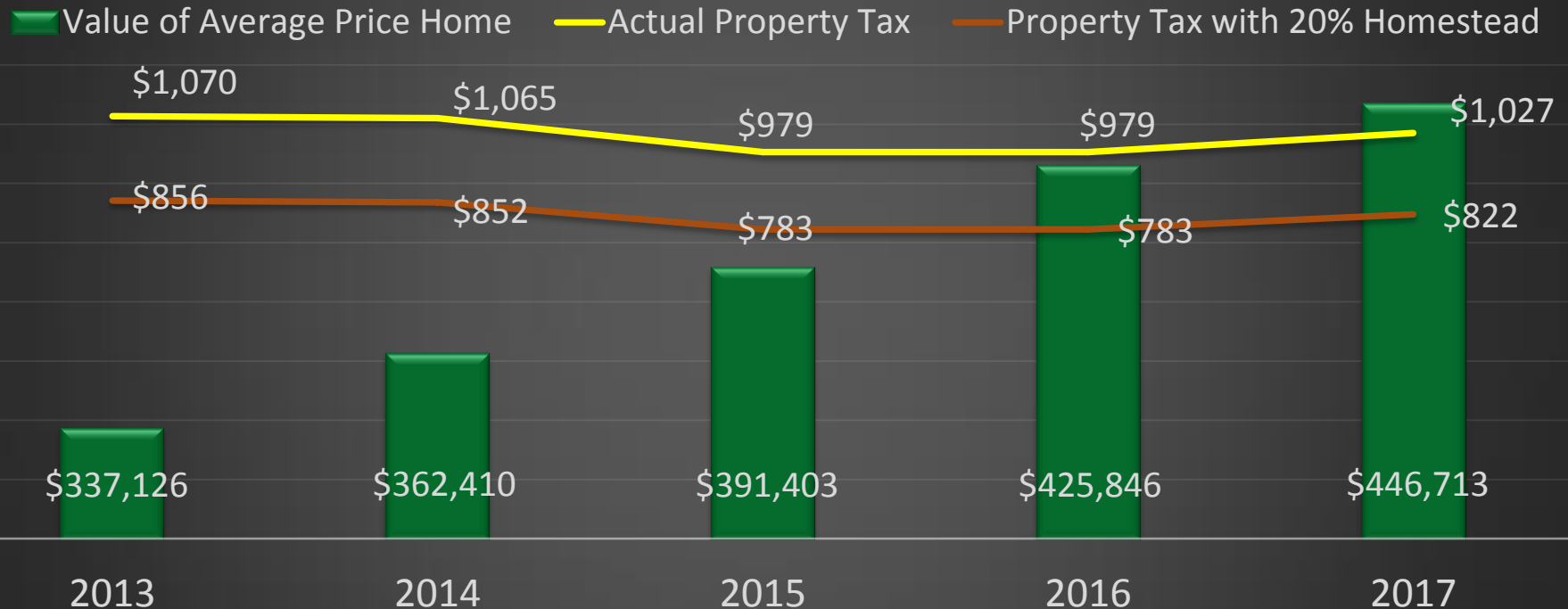
■ Actual Property Tax Revenue ■ Tax Revenue with 10% Homestead Exemption



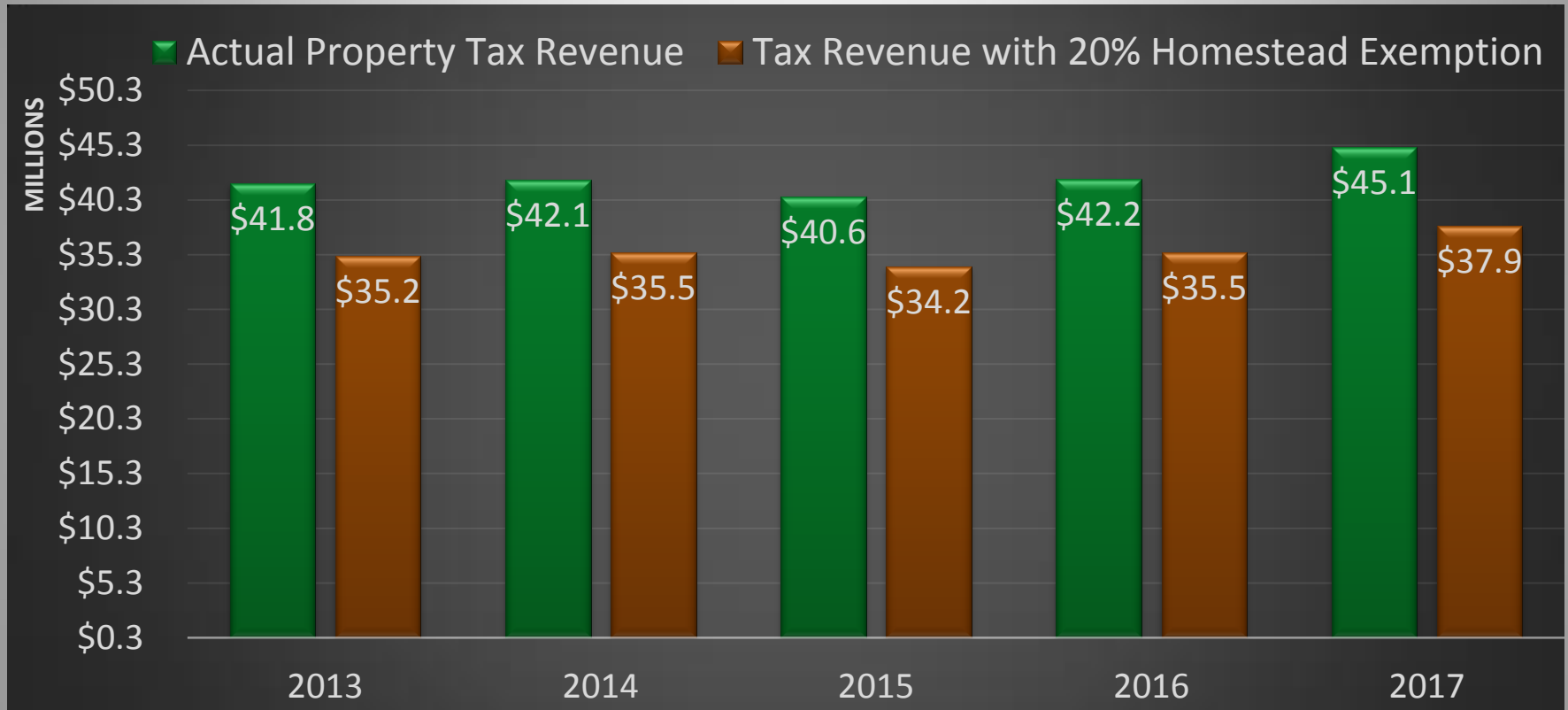
## Scenario H: Actual Property Tax Revenue *compared to* Estimated Property Tax Revenue assuming 10% Homestead Exemption & Adopted Tax Rates



# Scenario I: Actual Township Property Tax on an Average Price Home compared to Estimated Property Tax assuming 20% Homestead Exemption and Adopted Tax Rates

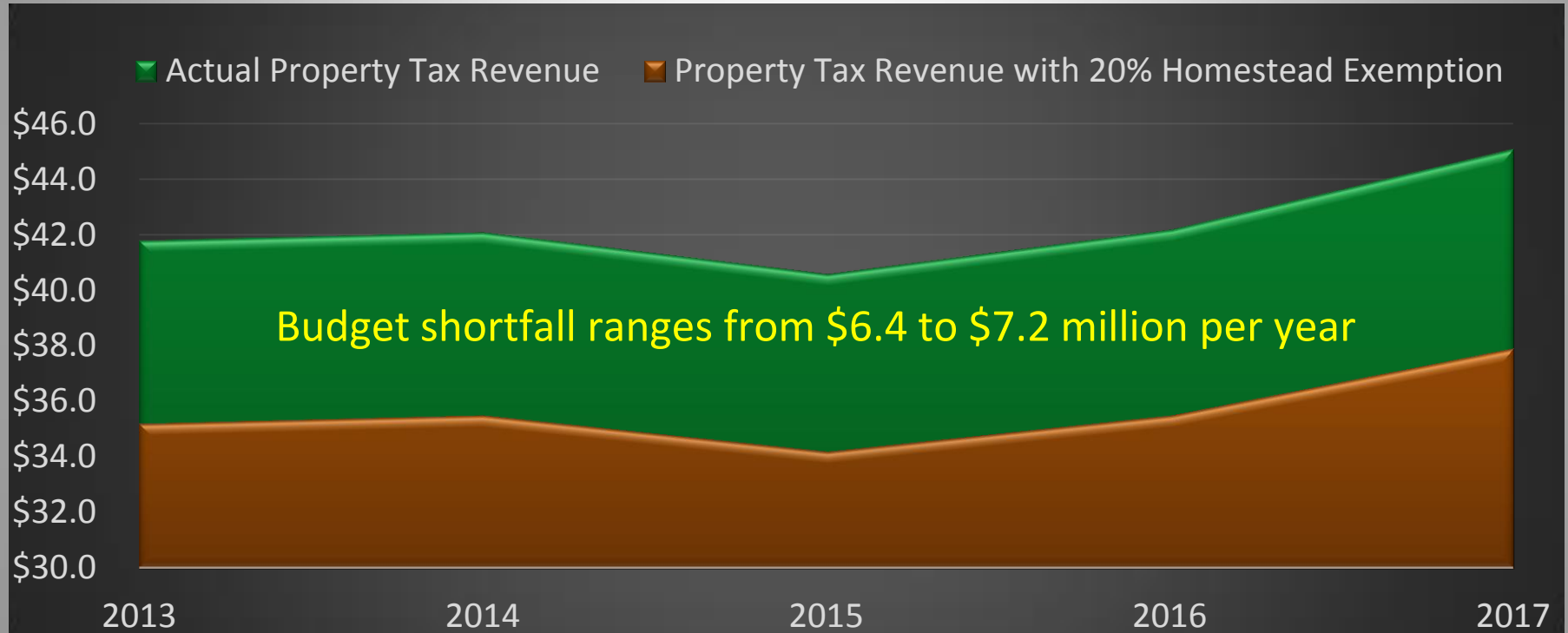


## Scenario I: Actual Property Tax Revenue *compared to* Estimated Property Tax Revenue with 20% Homestead & Adopted Tax Rates





**Scenario I: Actual Property Tax Revenue *compared to*  
Estimated Property Tax Revenue assuming  
20% Homestead Exemption & Adopted Tax Rates**



## Scenarios G, H and I: Actual Township Property Tax on Average Commercial Taxable Value *compared to* Estimated Tax assuming Residential Homestead Exemption and Adopted Tax Rates

